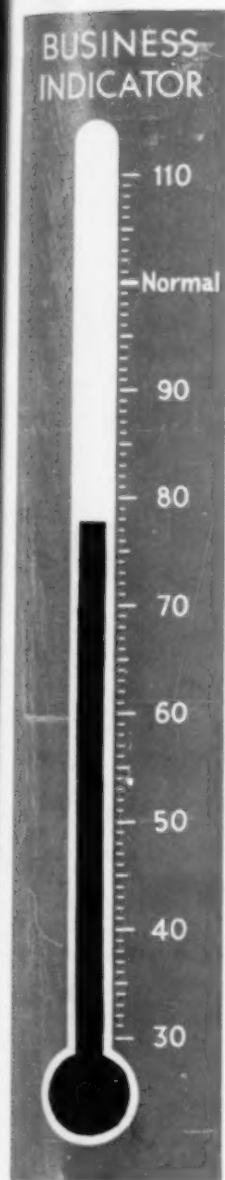


APR 27 1937

APRIL 29, 1937

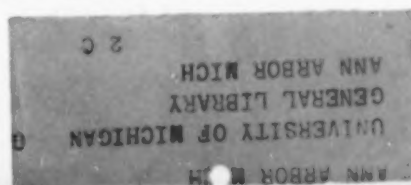
THE

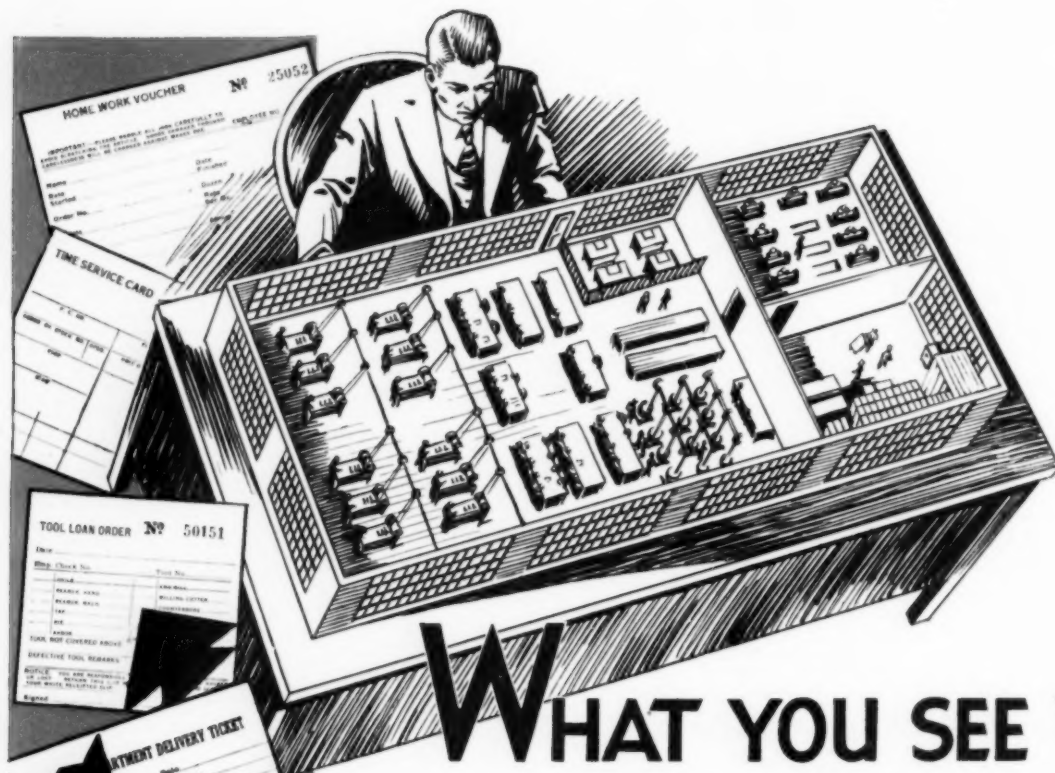
BUSINESS
WEEK

The slight spring stimulus seems to have spent its force by the latter part of March and business has been backsliding since Our index has steadily declined during the past five weeks till, at 77.7% of normal, it is nearly back to the December low Security markets have closely followed suit and commodity prices continue their relentless movement toward inconceivably low levels Seasonal building improvement seems to be weakening again, but carloadings begin to show a bit more than seasonal recovery Hope of reversal of the downward drift of steel production by May persists under expectation of larger structural and pipe-line demand, but marked increase in automotive requirements becomes doubtful It now appears likely that first quarter business improvement was only a bump on the bottom and not the definitive beginning of recovery The foreign scene has become clouded again, and Governor Norman's mission has apparently meant nothing more than further futile effort to force short-term money rates lower in hope of melting frozen long-term investment funds Our idle gold hoard piles up without increasing the means of payment by credit expansion because of paralysis of banking policy, thus prolonging price deflation, impoverishing ourselves as well as the world, and making poor old Midas appear a piker by comparison.

15 CENTS

MCGRAW-HILL PUBLISHING CO., INC.





WHAT YOU SEE YOU CAN CONTROL

"With our McCaskey control system our planning department can tell at a glance the status of any of our 400 machines," says the Boston Gear Works at North Quincy, Mass.

The McCaskey System practically gives you a bird's-eye view of every job in process in your plant—as clearly pictured before you as if you had your whole plant before you on your desk.

In the Boston Gear Works the McCaskey Register boards carry the working records of the various machines. On these boards, under each machine number, are filed job tickets planned ahead for that machine—slips showing material moved to it and the ticket representing work in progress.

Every idle machine is indicated by a pink ticket showing when that machine went out of production.

Thus, the planning department is able to keep idleness down to a minimum—maintain an even volume of work providing more accurate information for the cost department. All with a minimum of expense.

The Boston Gear Works further state, "Without the McCaskey System we should require at least three times our present number of production clerks to keep our records up-to-date."

Have you a production problem? Let us analyze it—we can save you money besides giving you the great advantage of always having up-to-the-minute information instantly at your command. If you will write us we shall be glad to send you full details on the McCaskey System for your business.

THE McCASKEY REGISTER COMPANY

Industrial Division
Galt, Canada

9011-A

ALLIANCE, OHIO
Watford, England

McCASKEY

INDUSTRIAL CONTROL SYSTEMS FOR

Perpetual Inventory
Single and Dual Control
Production Control

Machine Control
Process Inventory
Cost and Payroll Records

Order Control
Planning, Routing and Dispatching
Tool Check and Tool Investment Control

What's In This Issue —And Why

Tragedy of the Times

WHEN it's "every man for himself," the devil takes the trade associations; cut-throat competition, dwindling dues are cancelling years of constructive effort. (page 7)

Dealer Helps

GENERAL MOTORS insists that dealers shall be business men—shows them how with accounting, goes far beyond window displays. (page 8)

Cool Profits

HARD times and hot competition have a salutary effect on the mechanical refrigerator makers; they are selling more this year than last. (page 10)

Bargain Fares

LIKE all cut-rates, they're fine for the customers but ring up no profits for either railroads or buses. (page 10)

Zero Hour

GENERAL FOODS and Standard Oil are about to bombard the Pacific Coast with frosted foods. (page 10)

Ready to Merge

WHILE lawyers make ready for the Big 4 railroad wedding, the B. & O. completes its trousseau. (page 10)

Organization First

THE prime purpose of the Farm Board is the creation of economic order out of agricultural chaos. What every business man should know about its vast implications. (page 10)

Champion Director

CHARLES HAYDEN answers the questions people ask him about directors and directing. (page 14)

Potash Oil

GERMAN potash companies strike oil at the bottom of the potash mines and decide to get into the business. (page 10)

White Space

NEWSPAPERS, thinned by advertising dieting, can't consume any more newsprint; price cuts just lop off the weaker mills. (page 10)

Double Barreled

American and foreign business men will attend the Chamber of Commerce meetings in Atlantic City prepared to turn both barrels on the causes of world depression. (page 6)

Armco Again

The American Rolling Mill Co. revolutionized sheet steel production with its continuous process; accelerated production brought price confusion. Armco may now revolutionize steel marketing with its proposal for 3 blanket classifications. (page 6)

Appliance Selling

The Central Hudson's experiment in electrical appliance distribution shows that the regular retail outlets can do the job when the utility cooperates. (page 12)

Cigarette Gun

The new machine shoots them out over 3 times as fast; what to do with the old machines is the question. (page 13)

3 Score and 10

The United States Steel Corp. definitely pegs its retirement age at 70 years; gray headed chiefs—Farrell among them—will be pensioned off with other faithful workers. "Big Steel" keeps young and supple for the competitive years to come. (page 5)

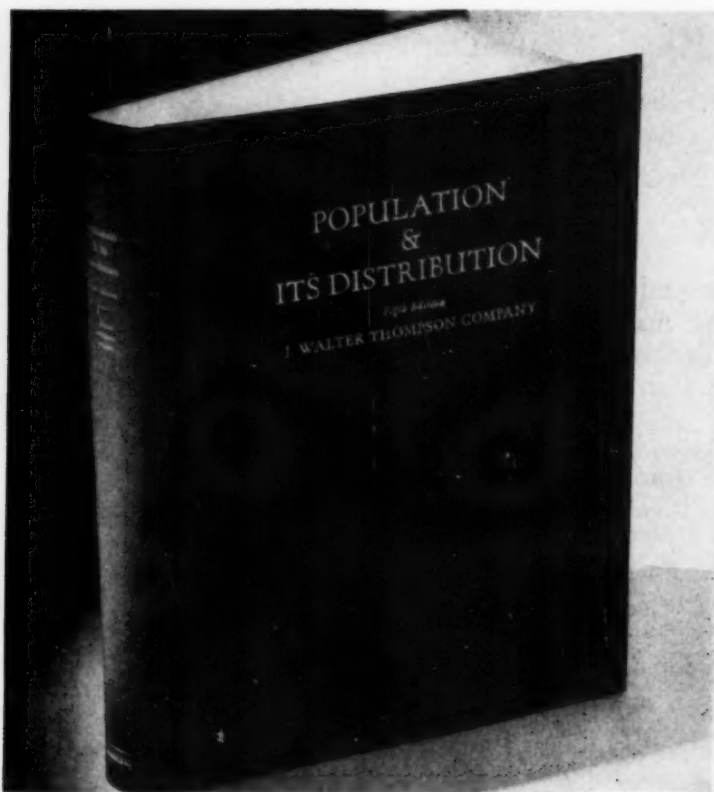
Tourist Bait

Europe acts to make it pleasant to "take your car abroad." Nine countries get together to make boundary-passing easier, road signs more uniform. (page 12)

Where they Live

What they earn . . . Where they shop

Information vital to your sales program ready in the new edition of "Population and its Distribution"



640 pages • size 8½ by 11 inches • 90 pages of maps • bound in maroon cloth over board

A NEW EDITION of "Population and its Distribution," the widely known analysis of population from the standpoint of sales problems, is now off the press with figures from the 1930 census, the latest analyses of income tax returns, and new information on retail shopping areas.

To the sales or advertising executive, this volume is indispensable for time-saving and effective planning. The tabulations here exclusively presented throw new light on every phase of the 1930 census population figures. The information on retail shopping areas represents original research, and is not to be found elsewhere.

Where they live—what they earn

—where they shop—only with this knowledge can the present need of economy in sales effort be met.

"Population and its Distribution," 5th Edition, has been published for the authors—J. Walter Thompson Company—by Harper & Brothers and is obtainable direct from J. Walter Thompson Company, 420 Lexington Avenue, New York. The price is \$10. The book may be returned within 5 days, and your money will be refunded. The coupon is for your convenience.

J. WALTER THOMPSON COMPANY
New York, Chicago, St. Louis, Boston, Cincinnati, San Francisco, Los Angeles • Montreal, Toronto • London, Paris, Madrid, Berlin, Stockholm, Copenhagen, Antwerp • Alexandria, Port Elizabeth • Buenos Aires, Sao Paulo • Bombay • Melbourne, Sydney • Batavia • Wellington • Osaka

In this book are . . .

1 For each state, the number of people—families—individual Federal income tax returns—farms—home telephones—residential lighting customers—passenger automobiles costing under \$1000 and automobiles costing over \$1000.

2 Complete list of counties in the United States, showing population, number of individual Federal income tax returns, number of people in each county per tax return, automobiles costing under \$1000, and automobiles costing over \$1000.

3 State lists (with maps) showing 681 well-defined retail shopping areas—with the center and sub-centers of each—the population of the areas—the population of the centers—the number of individual Federal income tax returns for each—the number of people per tax return—and the number of leading department stores.

4 A table grouping these 681 retail shopping areas, according to the size of the retail shopping centers to which they are tributary. (A glance at this table shows, for example, that there are 13 areas tributary to centers of more than 500,000 population, and that these areas account for 28% of the total population of the country. On the other hand, there are 438 areas tributary to centers of less than 25,000 population—these areas containing 22.7% of the total population.)

5 A table giving the number of cities and towns in various size groups, and the number of people in each group—with the relation of each size group to total population of the country. (This table shows, for instance, that the 5 cities of 1,000,000 or over have a combined population of 15,064,555 which is 12.5% of the total population of the country; while the 1,332 towns between 2,500 and 5,000 in size have a combined population of 4,717,590, which is only 3.8% of the total population of the country.)

6 Population and group totals for 11 size groups of cities and towns, in every state. (For instance, if you should decide to cover all cities of 25,000 or more in certain states, your lists are here ready.)

J. Walter Thompson Company, Department A
420 Lexington Avenue, New York, New York

Please send me _____ copies of "Population and its Distribution," 5th Edition at \$10 per copy. I am privileged to return the book within 5 days, and my money will be refunded.

Name _____

Address _____

THE BUSINESS WEEK

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending April 25, 1931

U. S. Steel Provides For Its Veterans—And Its Future

**Behind the new retirement plan, Myron C. Taylor
clears the stage for his younger executives**

CHANGES in the pension and retirement setup of the United States Steel Corp. ratified at Monday's annual meeting mark one more quiet but far-reaching step in the evolution of its management policies. Its operation automatically retires within two years James Augustine Farrell, president, and others of the company's elder statesmen.

The new plan was the result of long and prayerful study by Mr. Farrell and Myron Charles Taylor, chairman of the finance committee, Morgan overlord who succeeded the late Judge Gary. To combat possible rumors that he was being removed against his will, it was Mr. Farrell who rose in meeting to move the adoption of the change, to praise it as "the greatest thing the corporation has done" for employees.

No More Exceptions

The retirement age always has been 70 years—pegged at that point by Carnegie and American Steel & Wire in 1902. Formerly exceptions were frequent. In the revised plan retirement after 65 is optional or can be effected by the higher powers. Withdrawal at 70 is compulsory. The new scheme applies all the way from the higher-ups at 71 Broadway to the most obscure wheelbarrow pusher.

Among the liberalized features is the removal of the \$100 a month maximum. Pensioners are now to receive 1% of their average annual salary during the last 10 years of employment, multiplied by the number of years served.

Directors Exempted

Directors of the Steel Corp., not in executive positions, are immune—a device which allows the corporation to utilize the accumulated wisdom of its sages after they have been relieved of active management. It also was necessary in order that the board could retain such ancients as George F. Baker.

Though carefully planned and handled with consummate dexterity the retirement plan proves that Big Steel is preparing with new and more flexible ideas to meet the intensified competition of a new era. Seniors directly affected acclaim the revision with fervor. That is sportsmanship and teamwork. Nevertheless, the significance of the move is that it gradually and gracefully pensions certain staff officers whose gray heads and powerful personalities make them less receptive to centralized control than younger officials.

Farrell belongs to steel's age of giants. The date set for his eclipse is Feb. 15, 1933. A few more leaves off the desk calendars and aging captains of great subsidiaries take the same road. E. J. Buffington, slender, intense, aloof president of Illinois Steel Co., will follow his friend Farrell on Mar. 14, 1933. Joshua Hatfield, president of American Bridge, bows out on June 11 of the same year; and Ward B. Perley, Canadian Steel Corp., on Dec. 7, 1933. A. F. Banks, president of Elgin, Joliet & Eastern Railroad, already over the Biblical (and U. S. Steel) limit, retires on May 1.

Heirs Apparent

Mr. Farrell probably will serve as president until his 70th birthday. Mr. Taylor hoped that announcement of the retirement would not call forth unseemly speculation as to the next president. The question bulks so large that it can't be ignored. Most prominently mentioned possibility is I. Lamont Hughes, 53 years old, one of the executives whose drive and vigor has attracted the board's attention. His initiation into the steel business was at Pittsburgh; he served with distinction under the approving eyes of the elders as vice-president of operations for the parent corporation; last August he

succeeded W. G. Clyde as president of Carnegie Steel; his handling of that job has been brilliant.

Friends of Mr. Hughes are sorry that his name has been so mentioned. In business as well as in politics the candidate who first sticks up his head attracts the most generous shower of brickbats. If the directors go outside the fold they may consider George Gordon Crawford, long-time president of U. S. Steel's Tennessee Coal, Iron & Railroad Co., now head of the Jones & Laughlin Steel Corp. He was a favorite of Judge Gary, who esteemed highly his passion for research and scientific plant development.

Doubly Gratified

In applying the new pension provisions Myron Charles Taylor is doubly gratified. He has indulged a humane desire (evidenced in his handling of other companies) to reward faithful service in all ranks; and he has answered the oft-spoken charge that Big Steel is "an old man's company." He never would have accepted his present post with U. S. Steel except under a promise of a free hand. For years he was a benevolent figure moving unostentatiously in the background, perfecting the financial structure, studying the industry.

His reforms have been made with so suave a hand as to pass unnoticed. Nonetheless, their sum has created a new spirit within the corporation. He believes that plants must move ahead of population shifts—hence developments in the Birmingham district and acquisition of Columbia Steel Co., on the Pacific Coast. The corporation's management has been brought closer to subsidiary executives and to community leaders where plants are located.

13 Years to Go

Mr. Taylor is a long way from his retirement date, which will be Jan. 18, 1944. There is plenty of time in the 13-year interval to fulfil predictions that he is to become as dominant a personality as Judge Gary. Younger men succeeding to captaincies will be Taylor-picked. Under his cautiously aggressive leadership Big Steel should retain its eminence as the world's greatest industrial corporation.

Farrell began work at a steel wire

mill in New Haven to help support the family. His age was 16, his pay \$5 a week. He knew that so long as he stuck to steel Pittsburgh offered a better chance. Migrating to the steel capital, he became night superintendent of the Oliver Steel & Wire mill when he was 19.

Sales and Sails

From that company Mr. Farrell went to U. S. Steel, succeeding W. E. Corey as president in 1911. It is said that he has made and sold more steel than any man that ever lived. Sales, domestic and foreign, have long been his specialty. There has been a saying in the industry that "Farrell IS the steel market." He knows every ton of rolled steel that is sold in the United States—who sold it, who bought it, on what terms.

Outside the industry his hobbies are foreign trade and sailing. His retirement probably will turn in some such direction, as he is still too vigorous in mind and powerful in body to content himself with sedentary retirement.

Plans Simplified Selling To Aid Steel Prices

EIGHT years ago the American Rolling Mill Co. introduced the revolutionary method of making steel sheets by the continuous mill process, licensed in the last few years to many leading companies in the steel industry. Result was to double the country's sheet steel production capacity almost overnight without an accompanying expansion of outlets to absorb the new tonnage.

Marketing problems have followed. And they have been complicated by the continued use in selling of terms made obsolete by this and other new production methods. In many cases, such terms have overlapped, forming a convenient blanket to cover price irregularities.

Buying Changes

Under older, simpler conditions a buyer could get the quality of sheet he wanted by specifying the process by which it was to be produced. Processes have become too numerous, standards too complicated for this. Today he orders to certain specified requirements and both buyer and seller think in terms of material and use rather than of processes.

The marketing difficulty has been that on such an order one mill might quote on blue-annealed light plates, another on continuous mill sheets or on still a third variety, with each type of sheet carrying a supposedly distinct price

schedule. The seller couldn't figure out whether his competitor was cutting prices. The buyer had no way of determining whether he was getting as good a price as his neighbor. All of which hasn't helped steel's shaky price structure, almost disintegrated in recent months.

3 Major Classes

American Rolling Mill Co. has cut across this situation with a plan declared to be as revolutionary in steel marketing as the invention of the continuous mill process was in steel production. It proposes to set up on May 1 an entirely new nomenclature for sheets of 24 in. and wider, discarding terms sanctified by generations of use. Its plan calls for just 3 major classes of sheets: hot-rolled, hot-rolled annealed, and cold-rolled. Hot-rolled annealed replaces types heretofore described as one-pass cold-rolled sheets, box-annealed sheets, black sheets, and blue-annealed sheets. Cold-rolled sheets replace single-pickled cold-rolled sheets and full-pickled cold-rolled sheets. No change is being made in pricing galvanized, long terne, or electrical sheets. But base prices and extras on the new grades will be in line with costs under present production methods, instead of far out of alignment as they have been in many cases, under the old system.

Steel executives who have been saying that they cannot make money under "an antiquated selling system which gives bootleg mills with their cut prices a chance not only to destroy themselves but to damage the whole industry" hail the new plan as the first real constructive measure looking toward stabilization of prices. It is likely that other makers will fall rapidly in line with Armco's proposals.



The Business Week

JAMES A. FARRELL—Steel's pilot turns his thoughts to the sea again and 1933 may see him afloat

Chamber of Commerce Meetings To Thresh Out World Problems

BUSINESS leaders of the entire world will put their heads together at 2 meetings in the next fortnight in an endeavor to formulate a program for solving the problems brought to a head by the depression.

The first will be the annual meeting of the Chamber of Commerce of the United States, to be held in Atlantic City from Apr. 29 to May 1—"most important in years."

Then, on May 4, the Americans will join the delegation of business leaders

from 46 foreign countries assembled in Washington for the 6th biennial congress of the International Chamber of Commerce.

The domestic meeting will discuss methods of promoting stability in trade and industry and what part the government may play in aiding these efforts.

Round-table discussions of vital issues will give men with common interests a chance to discuss those problems which particularly affect them. Among the subjects to be taken up are: federal

financing, unemployment and transportation insurance, overproduction, anti-trust laws, tariffs and exports, changes in banking laws, relations between consumer and producer, transportation, trade associations and other problems.

A World Drive

The discussions of the international group will be wider in scope. Leaders announce "a determined effort will be made to mobilize the forces of the world in a united drive to overcome the obstacles that stand in the way of economic recovery."

As a basis for discussion of the matter, President Georges Theunis, former premier of Belgium, will present at the first plenary session a comprehensive analysis of the existing international economic situation, with detailed reports on each nation.

Broad Agenda

The complete agenda for the congress covers a wide range of international business subjects—such questions as the silver problem and its effect in the Far East, the movement toward a European economic union, the Russian 5-Year Plan and its effect upon world business, the agricultural crisis, the economic development and competitive situation of Europe and the United States, regularization of employment, merchandising and distribution prob-

lems, tariffs, the new commercial treaty policies, the effect of the decline in commodity prices.

There are plenty of loopholes in the program which will permit the introduction of subjects not scheduled. Despite the desire in certain quarters to soft-pedal discussion on Russia, it is known that many of the delegates plan to air their views freely.

Another topic likely to get on dangerous ground is that of the use of international loans for political purposes. None will be surprised if there is criticism of France for loans to Balkan countries for military uses.

Trade barriers, including protective tariffs, are to be discussed. Some of the American delegates are going to the meeting prepared to defend certain features of the present Tariff Act, likely to be attacked.

Criticism of the foreign loan policy of American bankers is expected. Some of the delegates will be loaded with information intended to make the position taken by American bankers more thoroughly understood.

There is a feeling of confidence that the congress will bring about greater understanding of the national viewpoints of member countries.

Trade Associations Hard Hit As Depression Breeds Ill-Will

Dwindling revenues, cut-throat competition cripple constructive work of many years

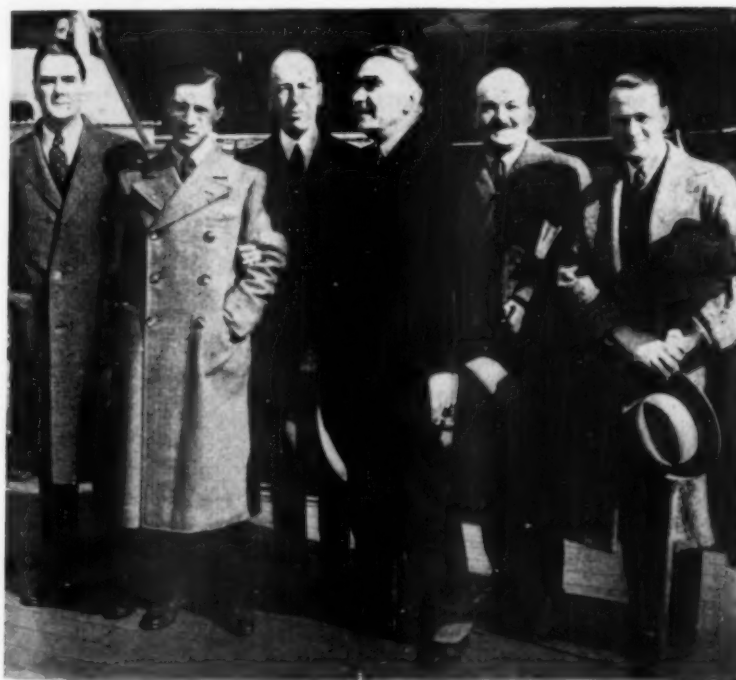
TRADE associations are having their troubles. According to an extensive survey just completed by *The Business Week*: (1) Nearly all associations have felt the effects of depression to some extent in decreased income and smaller

operating budgets; (2) many are calling upon reserve funds, are getting new members, are undertaking additional activities to meet the grave necessities of the business situation; (3) too many associations—and unfortunately many of those which have been of most service to their industry—are in dire straits, are threatened with grave loss of prestige, even destruction.

Because about 80% of the 2,500 trade associations in the country assess dues in proportion to sales or some other measure of each member's business activity, it is obvious that during a period of declining business, gross association income drops. Besides, many concerns not really convinced of the value of their association but paying dues simply because everyone else did, have lit upon their membership dues as an easy place to economize. These are, perhaps, the chief causes of lessened activity.

Dog Eat Dog

Under stresses of depression, competition is intensified sometimes to a bitterness not conducive to inter-industry cooperation; trade practices unthought of under normal conditions are brought forth in desperate attempts to get enough business to keep plants operating. Again, accelerated activities of the Department of Justice against certain associations have convinced many business men they were utterly mistaken in thinking they could evade anti-trust laws under cloak of an association. Many of them mistakenly believed this



BOUND FOR WASHINGTON—On their way to the International Chamber of Commerce meetings are (left to right) Paul Malone; Harold King; H. C. MacLean; Edouard Dolleans, general secretary of the International Chamber of Commerce; Rene Arnaud; and Willard Hill

the purpose of their associations. Now they have withdrawn their support.

Trade associations may be classified in 3 general groups: (1) those devoted chiefly to trade promotion activities; (2) those engaged in research work for their member companies; (3) those chiefly interested in improving inter-trade relations among their members. Of the 3 the last type has been most severely hit by the depression. Among these are the associations that have been disciplined by the Department of Justice. Others are having great difficulty in preventing unfair trade practices from developing as a result of intense competition. Particularly in associations of retail merchants in many lines, trade practices sponsored by associations have been virtually forgotten during the stress of recent months.

First Type Thrives

Associations of the first type, devoted chiefly to promotion, have on the whole fared better than others, although in this group seems to be occurring the most conspicuous disintegration of a really valuable organization—the Portland Cement Association.

Research associations are generally carrying on, although under reduced budgets in many cases. When their activities are of real use to their industry, such as those of the National Canners Association, National Association of Real Estate Boards, and others, seldom is the question raised as to whether association work should continue; the only point is to determine how strongly it can be supported financially under current conditions.

The general impression among trade association executives, who may be somewhat prejudiced on the subject, is that whatever losses in memberships and interest are taking place now will be only temporary, that with a revival of business, industry will become aware of the uneconomic practices which have grown up during the depression and will turn to trade associations to correct them.

Calling Up Reserves

Carrying this thought still further, many associations, and significantly the most successful, look upon the present as the time to increase their activities. When business is poor, when members are putting forth every effort to keep in profitable operation, then is the time, say these leaders, for trade associations to prove their value, to come forth with constructive help to their industry. In preparation for just such emergencies as this a number of associations such as National Lumber Manufacturers, Na-

tional Canners, National Coal, and National Fertilizer, to name a few leaders, maintain reserve funds which are thrown into the breach to give additional aid to their members when they most need it.

By many legal experts, renewed fear of anti-trust prosecutions now is thought unnecessary. They point out that the laws have not been changed; that competent legal advice can always clearly fix the limit beyond which association activities cannot go. The fact seems to be, in view of the numerous decrees to which associations have consented, that many associations have apparently entered into practices known to be illegal. They simply hoped to escape the consequences.

One of the most interesting phases

of the association movement at present is the growth of mergers among associations serving identical or closely related fields. The number of associations grew from 2,000 to 2,600 between 1929 and 1930, despite an unusually large number of mergers. That this number is many times more than would be necessary to serve the legitimate needs of industry and business seems obvious; it seems likely that the depression might have one helpful effect if it could weed out a few hundred of the smaller associations which, in many cases, are simply ill-concealed rackets, and leave a somewhat freer field to the organizations which have been and will continue to be of such tremendous value to their industries and, furthermore, to the country at large.

Automobile Dealer on His Way Toward Becoming a Business Man

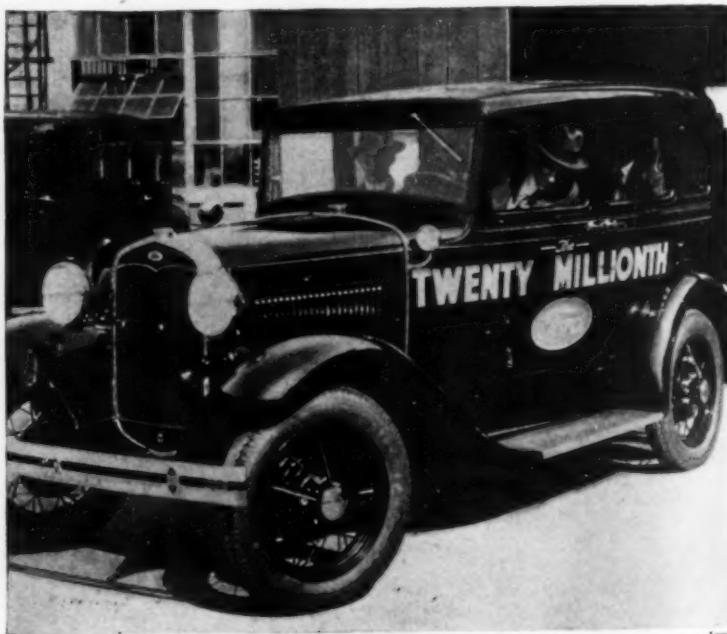
AUTOMOBILE manufacturers believe they are making real progress in solving the difficult dealer problem. Studebaker and Nash, among others, have been hard at work. General Motors, with characteristic thoroughness, has developed an elaborate detailed policy of dealer help; is putting it into effect on a national scale; says it works so well

that G. M. dealer mortality will be at a minimum this year.

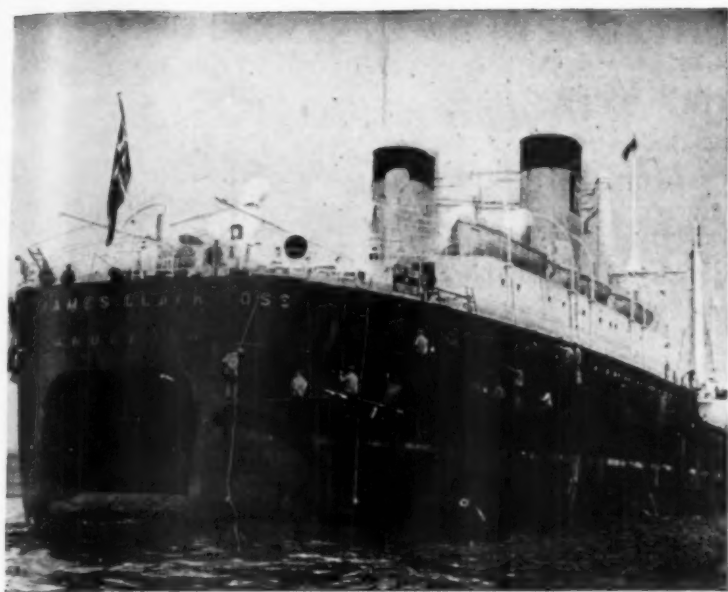
General Motors does not claim the problem is solved. It does believe it is on the right track and well started toward permanent improvement.

Permanency, indeed, might be taken as the slogan of its campaign.

In the glad, mad days of the industry,



THE 20 MILLIONTH—Henry Ford, himself, drives it home from the assembly line. After a tour of the country, it will be placed in the Ford museum beside its prolific ancestor of 1893



Wide World

OIL FOR SALE—The "Sir James Clark Ross," biggest of the whalers, swings at anchor in New York harbor after 8 months at sea. The floating refinery brought the oil of 1,444 whales in her tanks. Whales are harpooned and killed from smaller vessels, dragged aboard the "Ross" through the yawning tunnel in her stern, and cut up on the big deck

the dealer was the subject of little solicitude. He was expected to look out for himself. If he couldn't, or if he rebelled at peremptory factory orders, there was a line of eager, snappy men waiting the signal to scramble for almost any franchise in almost any town.

Wild Days Gone

But some of the more thoughtful automobile makers believe the glad, mad days are over. The industry is older, has settled down to a steadier pace. It's a business, not a game. It will not attract new dealers eager to gamble for big winnings of a lucky year. The business of automobile retailing henceforth will call for business men—keen, careful managers, good credit risks at their local banks.

General Motors believes this strongly and has developed its dealer relations policy around that central thought.

Basic in its policy are these convictions:

General Motors dealers must make money if G. M. is to be permanently successful.

Such a policy may temporarily reduce volume, but it will pay in the long run.

It will pay better to make the dealers now in business successful than to let them go their own way to ruin, and try to replace them.

From these fundamental principles, certain corollaries inevitably grow.

Sales quotas are fixed in consultation between dealer and factory, based on past records, the general business outlook, and an expert appraisal of what the dealer's territory can reasonably be expected to absorb. Many dealers this year have been assigned fewer cars than their misguided enthusiasm prompted them to demand.

Another corollary is the precept that the dealer's business should be like any other business—well-balanced. That is, the dealer should not sell cars at no profit, depending upon parts, service, repairs, accessories for his living.

Accounting the Key

The key to the system is accounting. G. M. is persuading dealers to adopt uniform books, and then through General Motors Accounting Co. audits these books. Thus many a dealer is learning for the first time where he really stands financially—and it is sometimes an unpleasant shock to him. Equally important, G. M. knows where he stands, and perhaps most important of all, G. M. gets a national picture from which it can draw important conclusions. The dealer pays only a part of the cost of this accounting system; General Motors makes a large contribution.

Once a dealer's condition is known, the practical steps toward better profits for him can be taken. He is shown, perhaps, that he has gone high-hat—

has given himself the luxury of a set of executives. It is suggested to him more or less tactfully that he might well be his own sales or service manager; that if he really must support his wife's nephew, that is his own affair, surely, but that the business should not carry the needless load.

Everything "Per Car"

He is shown the national average figure for rental—so much per new car sale per Buick, so much per Chevrolet. Maybe, his landlord will listen to reason; maybe that readjustment must wait until a lease expires. The experience of successful dealers is taken as a guide in the used car department—so many dollars per new car sale. Service and parts should yield a certain average number of dollars per new car sale—everything is figured on the basis of new car sales.

In short, the idea is to make good business men of all G. M. dealers. Incidentally, or not so incidentally either, whenever this is accomplished, the dealer becomes a welcome customer at his bank; his financing ceases to be a source of worry to him or the factory.

The financing problem has been acute. Local bankers were ready to go along in flush times, and when the industry was younger. But for the past few years, they have been reluctant to make loans to dealers. It was this situation that led to the organization of General Motors Holding Corp. (BW—Jul 2 '30) prepared to buy stock in local dealer set-ups where a good man was short of capital.

Bank Cooperates

Closely in touch with what was being accomplished, Guardian Detroit Bank was sufficiently impressed to write to a long string of affiliated and correspondent banks, suggesting cooperation.

In a recent letter, A. P. Sloan, chairman, while conservative in making claims, indicated his faith in the progress being made.

"There are two possible dealer policies," said another high official of General Motors to *The Business Week*. "One is to regard him as an independent business man, for whom we have no responsibility. The other is to recognize a mutuality of interest.

"This is the train of thought that led to our present practice. It is not new thinking. We began laying foundations in the Chevrolet division in 1926; it became corporation policy in 1927. But due to the size of the task, it has taken all the time since to get it into operation on a large scale. We believe it is sound."

Standard Oil and General Foods Join to Exploit Quick Freezing

Form company to install Birdseye process, line up retailers in 11 Western states

FORMATION of Pacific Frosted Foods, Inc., now being completed under joint control of Standard Oil Co. of California and General Foods Corp., represents one of the most significant developments in the food industry since the organization of General Foods itself.

The new company will act primarily as a coordinating unit in making frozen foods available to Far Western and Pacific Coast territory.

It will operate under license to use the Birdseye Quick Freeze patents in Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Western Mexico, Alaska, Hawaii.

Joint Resources

General Foods Corp. contributes to the new enterprise: (1) its patent licenses; (2) its wealth of scientific and engineering data on the quick freezing of practically every known item of perishable food, susceptible to such method of preservation; (3) its experience in the distribution and marketing of quick-frozen food products.

Standard Oil Co. is in particularly favorable position to speed up the process of building production and distribution facilities in Pacific Coast territory. Through its control of Pacific Public Service Co. it controls the latter's important subsidiary, the California Consumers Co., which now owns 9 ice manufacturing, 4 cold storage plants.

Plants Available

While final plans are not completed, it is expected that equipment for Birdseye quick freezing will promptly be installed in some of the Standard Oil Co. controlled plants, so as to have production facilities available at the earliest possible moment. Meats and other animal products will be obtained from western stock yards. The Ray-Maling Co., Inc. of Hillsboro, Ore., an independent company, engaged for some time in quick freezing of fruits and vegetables, will continue to supply the Eastern market and also the requirements of Pacific Frosted Foods, Inc.

Retail distribution will be developed as soon as production facilities have been organized and coordinated. Full advantage will be taken of data

obtained through General Foods Corp.'s marketing experiments at Springfield, Mass. (BW—Apr 30 '30) and the more recent extension of the experiment into 8 other states.

Special Terms

Pacific Frosted Foods, Inc., expects to have several hundred outlets, both chain and independent, carrying the line of General Foods Quick Frozen products within a year. Special terms of payment will be made available to induce retailers to purchase the necessary low-temperature equipment.

Distribution will be expanded just as quickly as necessary production facilities can be created. Within 5 years 10,000 to 12,000 outlets on the Pacific Coast may be expected to stock quick-frozen foods.

Sales volume in prospect for the new company may be estimated from figures obtained from the Springfield experiment, where stores handling a line of only 18 items of meats and 10 miscellaneous products averaged weekly sales of over \$200 on quick-frozen foods. The present line of General Foods quick-frozen products includes over 80 items.

26 Stores of Saunders Chain Sold to Kroger

OPERATIONS of spectacular Clarence Saunders of Piggly-Wiggly and Sole-owner-of-my-name fame continue to attract attention—mostly of the courts.

His chain of 132 stores in 17 (mostly Southwestern) cities is now being auctioned off under court orders. Kroger Grocery & Baking Co. purchased the 26 units located in Memphis, where Kroger already operates the Bowers and Piggly-Wiggly chains.

Other units were bought chiefly by individual purchasers, generally at 40% to 50% of appraised valuation, so that creditors with claims of \$1½ millions are expected to realize less than 20% of their claim.

Meanwhile Saunders' chain of stores in southern California went into receivership when his permit to sell stock in the Clarence Saunders Stores of Northern California was revoked. Now

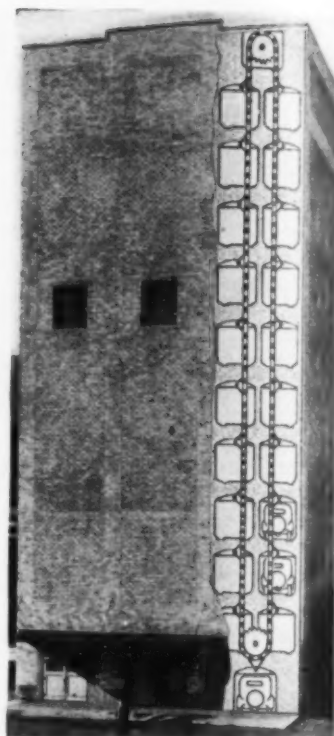
the latter has filed a voluntary petition in bankruptcy and the San Francisco Board of Trade has taken over operation of some of the stores.

Uncle Sam Detective For Irate Creditors

A NEW amendment to the postal laws and regulations makes the Post Office Department the more or less unwilling ally of every collection agency, every person interested in ascertaining the present residence of any person who has removed from the last address known to the addressor.

This amendment extends the mission of the return receipt available for 3¢ extra in connection with registered mail, and for 20¢ additional the government contracts to return to the sender a receipt showing the address where mail matter was finally delivered.

Originally the bill did not include



The Business Week

PARK HERE—Westinghouse developed the vertical parking machine for use in congested areas, in office buildings, hotels, and stores. Only the driver touches his car and operation is automatic. This first permanent installation houses 144 cars on a 50 by 50 ground space. The cutaway shows how the cars are kept in individual cradles swung from endless chains

any such provision. The amendment was inserted at the request of the National Association of Credit Men. After its passage, officials of the Post Office were unwilling to demand a veto.

Opinion is divided as to the value of the new ruling. Undoubtedly it will facilitate collection of department store and other retail accounts where no eva-

sion is intended. Those interested in deliberately evading detection would probably refuse acceptance of registered mail marked with the address-where-delivered demand, in which event it is debatable whether the Post Office Department could properly disclose final address, as no delivery was accomplished.

Mechanical Refrigerator Sales Soar Far Above 1930 Peaks

MECHANICAL refrigerator manufacturers are pressing well-organized sales campaigns, are getting remarkable results.

The Frigidaire Corp., well under way with its \$7-million advertising campaign in newspapers, magazines, bill boards, direct mail, shows spectacular increases. E. G. Biechler, president, stated that the Frigidaire household division sold 120% more machines in February, 1931, than in the same month of 1930, and for March was 75% ahead of 1930. The water cooler division secured a single 1,600-unit order for the Empire State Building (N. Y.), with one unit to be installed 1,100 feet above sidewalk level.

Kelvinator Corp. through H. W. Burritt, vice president in charge of sales, reports some all-time record-breaking figures. The first 13 days of April brought orders 26.7% in excess of those received during the same period in 1930, while unfilled orders on hand Apr. 13 represented a 52% increase over the total recorded on the same date in 1930.

Mr. Burritt stresses the fact that the increases are not due to one or two large orders or unusual performance in some particular territory but represent a healthy improvement in all sections of the country, favorably affecting the entire line. Further substantial in-

creases are anticipated resulting from greatly increased advertising schedules and sales effort on the part of several Kelvinator public utility distributors that are beginning their sales campaign in April and May instead of as formerly in February and March.

A sales increase of 85% during the first 3 months of 1931 as compared with 1930 is reported by Rex Cole, metropolitan distributor for General Electric refrigerators, while sales for 6 weeks ending Apr. 15 were 88.2% over 1930. Fairfield County (Conn.) sales of G. E. refrigerators also were 80% ahead of 1930. Much sales effort is concentrated upon apartment house business and the G. E. electric water coolers for business offices and factories.

Servel, Inc., reports actual billings for the first 3 months 25% higher than 1930, finds its new line of electrically-operated units gaining popularity, expects to step up daily production of the latter from 250 to 400 units to take care of incoming orders. Other nationally-known manufacturers have not published recent sales totals.

Commercial Units

Increased attention is given by practically all important makers to the development of commercial units. Ice cream cabinets already represent substantial and steadily increasing volume. Growing popularity of quick-frozen foods is creating a definite demand for an efficient low temperature display and storage cabinet. A number of companies have recently entered this new field.

For instance, Grand Rapids Store Equipment Corp., large producers of store furniture and show cases, announces its entry into the field with a full line of "Zeromatic" display cases, designed to maintain zero temperature, and combining suitable display facilities with ample storage space.

Trucks Sue Steamship Lines for Delays at Pier

WIDE interest in transportation circles attaches to 2 test suits brought by the Merchant Truckmen's Bureau of New York, Inc., against steamship companies, which would compel the latter to pay for time lost by trucks delayed in shipping or receiving freight at piers and terminals. It is the first time the question has been raised in court.

The plaintiffs, John A. Patterson Trucking Corp. and the John McGowan Forwarding Co., both of New York,



The Business Week

RED-RIPE—Packed in Oregon last summer, these quick-frozen raspberries have the texture and flavor of the fresh fruit when thawed

say they intend to carry the action to the U. S. Supreme Court if necessary. Both cases are now pending in the First District Municipal Court of New York and arguments are set for April 29-30.

The John A. Patterson concern is suing the American-Hawaiian Steamship Co.; the John McGowan Co., the steamship firm of Moore & McCormack Co. In both cases, plaintiffs allege that their trucks were held at steamship piers for an entire day because of a lack of facilities for receiving freight.

Exports, Imports Show Small Seasonal Gain

THE figures on our foreign trade in March, showing \$237 millions of exports and \$211 millions of imports against \$224 millions and \$175 millions respectively in February, indicate hardly more than a seasonal gain. Exports were nearly 36% and imports 30% below those of a year ago. Part of this drop was due to the decline of nearly 18% in commodity prices.

The rate of increase in exports was smaller than in past years. The March gain amounted to less than 6% over February. In 1930 it was 7½%; 11% in 1929; 13% in 1928. Computed on a daily basis (with February having 3 fewer days than March), exports last month indicate an actual decline of 4½% below February.

But the value of imports shows more than a seasonal gain. There was an increase of 20% last month against 7% in March, 1930, 4% in March, 1929, 8% in 1928, 21% in March, 1927. The February, 1931, imports were, however, the lowest for any month since September, 1921.

Canada, too, has seen a sharp reduc-

tion in foreign business. Her total trade for the fiscal year ended Mar. 31 shows a drop of \$670 millions. Imports fell off 27%, exports 28%. Wheat was the only important export item to increase in volume but the gain was more than offset by lower prices. Automobile exports were cut drastically, falling from \$37 millions to \$17 millions.

West Coast Ship Lines Offer Store-Door Service

PACIFIC Coast steamship lines feeling, like railroads, the strain of motor truck competition, will combat the land carriers on their own ground.

The Nelson Steamship Co. will inaugurate store-door pickup and delivery service effective May 12 on freight moving between San Francisco, Oakland, Los Angeles, Long Beach. Rates announced for the new service are, for the most part, unchanged, though some have been reduced to meet competition.

The move is experimental and so far, coastwise lines operating to Columbia River and Puget Sound territory have not followed suit. They are likely to if the Nelson plan proves successful.

Coastwise lines that have lost passenger traffic to the buses are attempting to regain it by a general reduction of fares and the added inducement of stops at points not on the regular route.

9 Countries Form Scheme To Lure Motor Tourists

EUROPEAN NEWS BUREAU—"Take your car to Europe"—the slogan of the steamship lines for the last 2 years, has been taken up by 9 of the tourist-

depressed countries of Europe. It is bait for the Americans.

After a few get-acquainted discussions of left-hand drives, the price of petrol, and roadside refreshment stands, the international conference on motor transport got down to business in Geneva, made up a triptych—a set of 3 conventions to which the governments of the 9 countries are expected to agree:

(1) Every owner of a "touring car proper" may receive a fiscal permit for 90 days a year of untaxed motoring, to be taken in one or several doses. An "auto passport" will tuck into his own passport case. Entrance and exit visas will be stamped on this fiscal permit.

(2) Road signs become uniform: a triangle, danger; a circle, legal rulings; a rectangle, general information;

(3) A certificate from a customs authority of any country stating that the vehicle is within the territory of that country will be sufficient.

Countries signing: Belgium, Great Britain, Denmark, Danzig, Luxembourg, Holland, Poland, Switzerland, and Czechoslovakia. France, though agreeing to the uniform road markings, has failed to sign the 90-day clause.

"Foreign" Corporations Taxable on Income

How much may a state properly tax a manufacturing plant organized under the laws of another state? This troublesome question has long vexed accountants and business executives. In the case of *Hans Rees' Sons vs. North Carolina*, the U. S. Supreme Court has ruled that the correct procedure is to tax that portion of the corporation's income earned within the state.

The difficulty of making an exact



FORD'S FACTORY-TO-BE—Clearing the ground for the Pacific Coast plant at Seattle. This newest link in the Ford chain of waterside factories will have a capacity of 300 cars a day, employ 2,000



MESSRS. FIX-IT—Part of the fleet of rolling repair-shops in Los Angeles. For anything from a squealing radio to a smoky furnace, a telephone call brings a uniformed, bonded repair man—and all his tools

apportionment being apparent, the court holds that present methods of determining the taxable portion of incomes of "foreign" corporations should be sustained until proof is offered in a particular case that the

method is arbitrary and unreasonable. North Carolina's statute had made taxable a percentage of the total earnings of a foreign corporation equal to the percentage of the corporation's property within the state.

Competition Certain to Hasten Use of New Cigarette Machine

But disposal of equipment replaced by high-speed units raises difficult question for manufacturers

ANOTHER speed record has been broken.

Turning out cigarettes with machine-gun precision at the rate of over 40 a second, a new cigarette-making machine manufactured by American Machine & Foundry Co., triples, nearly quadruples, production. It will average better than 1,600 cigarettes a minute, but the test runs of 2,600 a minute were made and without sacrifice of uniformity or quality.

Present equipment has an average output of 600 cigarettes a minute. The machines now in use have been on the market 25 years with little change; patents have expired long since.

It is as though Henry Ford, discarding the old Model T, had brought

out Model A with a speed of 200 miles an hour and capable of besting Sir Malcolm Campbell's world speed record.

Three machines of the new type have been in operation for a year under practical working conditions. "Kinks" have been eliminated, "bugs" chased away, problems of feeding paper and tobacco satisfactorily solved.

Significant is the fact that 10 years ago the new machine would have been practically impossible. Only entirely new types of ball bearings expressly developed for the purpose permit the sustained lightning-like speed at which some of the parts must travel.

Large manufacturers of cigarettes are

expected to install the new type of machines as rapidly as obtainable. Trebling production per machine means material reduction in production cost, increases the margin that might be expended in battling for supremacy.

Scrap or Sell?

There is speculation as to whether old type machines when replaced will be scrapped or resold. Perhaps cigarette makers will profit by the experience of the textile industry, where the marketing of a new and faster machine resulted in a flock of new competitors who entered the field by buying second-hand equipment at low cost. This group then proceeded to market products regardless of ethics or trade practices.

Hope is expressed that cigarette manufacturers may follow the example of Botany Worsted Mills, Passaic, N. J. (world's largest unit woolen and worsted plant) which, as part of its program of modernization, demolished and scrapped 1,610 looms, replaced them with machines but 30% faster, although they trebled the effectiveness of the operator (BW—Nov 19'30).

Utility-Dealer Compromise Tested in Appliance Sales

ORGANIZED cooperation between the public utility and the regularly established electrical dealers is the ideal plan for merchandising electrical appliances, according to the experience of Central Hudson Gas & Electric Co., Poughkeepsie, N. Y. It will be cited against agitation for regulatory or prohibitive legislation (BW—Apr 15'31) affecting appliance sales by the utilities.

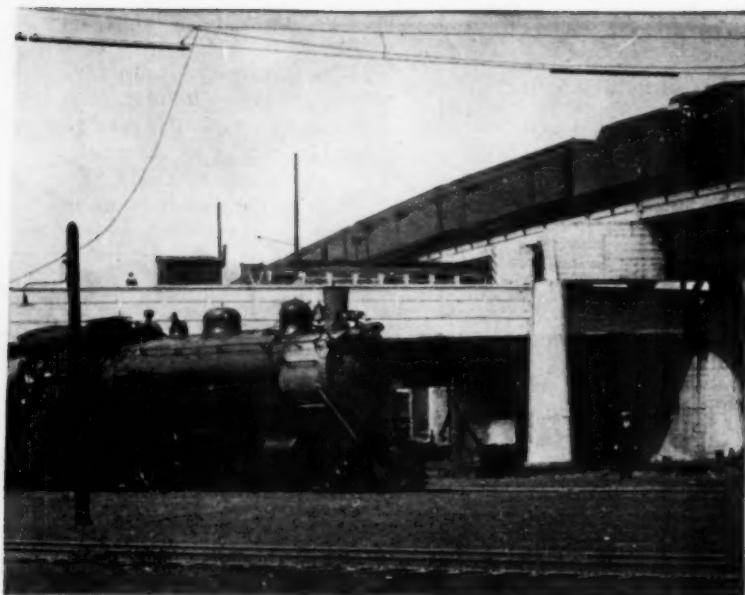
The plan, reviewed in the May 1931 issue of *Electrical Merchandising*, has been in operation for over a year; measurable results prove its value.

Without completely abandoning its right to sell merchandise, the utility company undertook to carry on general promotional work, leaving direct sales, installations, servicing and advertising of specific appliances to the individual dealers.

Real Cooperation

Such activities as continuous market analysis, planning sales programs, financing instalment sales, technical services, and research in new applications of electricity were assumed by the utility. Dealers were asked to cooperate. Their work was watched carefully and those that lacked necessary basic requirements were encouraged to enter other lines of work.

Change from the position when the



The Business Week

CROSSROADS OF THE COUNTRY—The new 3-decker grade separation at Canal and 16th Streets in Chicago saves time and money for several railroads. Steel and concrete viaducts carry trains over and under the street

utility sold 90% of the electrical merchandise has been slow but steady. For instance, whereas at Christmas, 1929, only 25 retailers in the area had appliance displays, Christmas, 1930, found 73 dealers with such displays. Included were 3 drug, 5 department, 55 specialty, 8 hardware stores.

In 1929 these stores sold one refrigerator to each 24 customers; in 1930 one to each 20. The ratio of range sales was equal for both years. On water heaters it was improved from 1 to 156 customers in 1929 to 1 to 120 customers in 1930.

Consumption of kilowatt hours per customers was increased by 76 kw.h. or 21%, although during the same period the national average only rose from 500 to 548 kw.h., 9.6%.

Two-Level Crossing Cuts Time of Burlington Trains

COMMUTERS on the Burlington in the suburban zone between Aurora and Chicago, Ill., are rejoicing over a cut of from 3 to 5 minutes in the running time of all trains in the area—a wholesale shortening of schedules.

The cut is made possible by completion of a large-scale grade separation project in Chicago (Canal and 16th Streets), one of the greatest rail crossroads in the United States. Two new, steel-and-concrete viaducts, each half a mile long, now carry overhead above

the Burlington's 2 main line tracks, the freight traffic of the Burlington and the Chicago & North Western for interchange through the St. Charles Air Line with roads lying east of the Chicago River, as well as the main line freight and passenger traffic of the Baltimore & Ohio, Soo Line, and Chicago Great Western to and from the B. & O. terminal, which also lies east of the Chicago River. In this way there is complete elimination of the crossing at grade level and of the necessity for trains to stop at that point.

Financing of Export Trade Is Planned by New Bank

ADDITIONAL facilities for the financing of export trade are planned through the organization of a new bank under the Edge Act, probably to begin operations this fall. This institution is in process of formation by the Federal International Corp. According to tentative plans, several foreign and domestic banks will participate.

The Edge Act authorizes institutions to finance exports through a form of bankers' acceptance on longer term than through ordinary export bills. This would permit a shipment of goods to be financed from point of origin to point of sale in the foreign country, rather than from origin to country of destination and warehouse as by ordinary export bills—a complex opera-

tion due to differing commercial regulations and customs.

This longer term financing is done through credits granted by the Edge Act bank, which, in turn, issues a series of bills covering the goods at various stages of their journey. This function is limited entirely to foreign shipments.

The First Federal Foreign Banking Corp. operates under the Edge Act, and the International Acceptance Bank offers almost the same services.

Commodity Advance Is Changed to a Retreat

THE strength displayed by many commodities last month has proved to be of short duration. Declines once more outnumber the advances and their pace is more rapid.

Most disappointing are the developments in the non-ferrous metal markets. The restriction agreements have so far failed to help. Copper can again be obtained at 9½¢ per lb. though large producers insist on 10¢ and most custom smelters on 9¾¢. Zinc, with prime western at 3½¢ per lb., East St. Louis, has dropped to the lowest price for more than 31 years. Tin has lost all the gains made in February and March and now is at the year's low.

Silver Alone Resists

Lead prices on the American market remain unchanged, while those in London are weak, despite the reported agreement among lead producers to cut production 15%. Silver alone, though still erratic, has managed to hold above the levels reached at the beginning of this month. Generally, demand has been slow in responding to lower prices. As a result the unfavorable statistical position of non-ferrous metals, despite reduced production, has not been reversed.

Conditions in other commodity markets look no brighter. Crude rubber has been making a series of record low prices since the collapse of the Anglo-Dutch restriction negotiations in London a few weeks ago. The May delivery has dipped below 6¢ a pound. Some traders think that crude rubber may fall to 5¢ or less.

Prices of silk, sugar, hides, and cocoa are easy. Cotton continues gradually downward and is not far from the 10¢ level. Low consumption, the prospect of a very large carryover and the probability of only a small cut in acreage are depressants. Wheat is holding up pretty well, and the price of coffee has been given a boost on hopes of the new Brazilian program.

GOOD OLD "Number 4"

Around the organization, "good old No. 4" was pointed to with pride, until one day the Vice President and General Manager asked... "But what is No. 4 costing us?"

Motor No. 4 was given a fair trial but the illusions surrounding it were shattered. The General Electric sales engineer who was called in showed how *modern* electric equipment could be paid for out of resultant economies. So conclusive were the facts that good old No. 4 went to the junk heap—replaced by a motor developed to meet needs of to-day!

Modernization, not alone through *electric motors*, but also through *motor control*,

electric heat, arc welding, and lighting is the answer to a vital need—a policy that is clean-cut economically and wise enough to discard units no longer suitable.

Your own production chief has or can get the facts—for General Electric research and facilities are available in the form of sound engineering advice, based on pioneer experience with industry's problems.

Inertia in discarding unprofitable units is the greatest stumbling block in the way of obtaining the economies assured through modernization.

Modernization Reduces Costs — Increases Profit.



Wage Cut Debate Is Continued; Employment Shows Little Change

THERE was virtually no change in general employment from February to March except that somewhat longer hours were worked by many employees. The Bureau of Labor Statistics survey of 44,000 establishments in 15 major industries which employ nearly 5 million persons, has just been published, showing March employment 129 persons or 3/1000 of 1% less than in February; payrolls increased \$800,000 or 0.7%.

More Manufacturing Jobs

In manufacturing industries alone employment increased 0.9% and payrolls increased 2.2% over February. These increases compare with employment gains of 1.4% from January to February, payroll gains of 0.9%. Chief gains in employment were made by stone-clay-glass industries, leather, textiles, vehicles, iron and steel, and non-ferrous metals. Chief decreases occurred in rubber boots and shoes, agricultural implements, petroleum refining.

Another item of evidence indicating increasing employment is the labor turn-

over figures compiled by the bureau. For representative establishments in 75 industries employing about 1 1/2 million persons the average separation rate was 2.95 a hundred—0.94 quit, 0.26 discharged, 1.75 laid off. The total accession rate was 3.67, indicating a slight trend toward increased employment.

Best Argument

Despite encouraging employment figures, pressure for still further wage cuts continues. Perhaps the most sound argument in favor of them was made by Magnus W. Alexander, president of the National Industrial Conference Board, when he told the National Metal Trades Association at their meeting last week in Cincinnati that it was fallacious to argue that wage rates must be maintained, despite reductions in the cost of living, in order to protect the standard of living of American wage earners.

Mr. Alexander pointed out that small reductions in money wages which, because of declining living costs, would still provide adequate real wages, might permit longer weekly working schedules,

reduced labor costs, and lower selling prices which would stimulate increased buying, greater industrial activity, and larger employment.

An extensive survey by the Associated Press among industrial leaders discloses many who still refuse to admit either the necessity or desirability of wage cuts. Alfred P. Sloan, president of General Motors Corp., said: "We have maintained the wage scale and we have made no adjustment in salaries. We believe in a high wage scale."

Sees No Need

C. M. Chester, president General Foods Corp., sees no necessity for wage reductions and states that his company is inclined to resist a wage-cutting program. M. Pendleton, vice-president, American Woolen Co., maintains that no changes in its present wage schedules are contemplated. William D. Anderson, president Bibb Manufacturing Co., expects to avoid general cuts unless driven to it by competition.

Leading steel executives are still hopeful of retaining present scales although the fact that a number of small independents have recently cut wages makes this task difficult. The particularly unhappy position of the steel price structure at present is giving the industry much thought, but for those concerns inclined to follow United States Steel, wage cuts will be the very last resort.

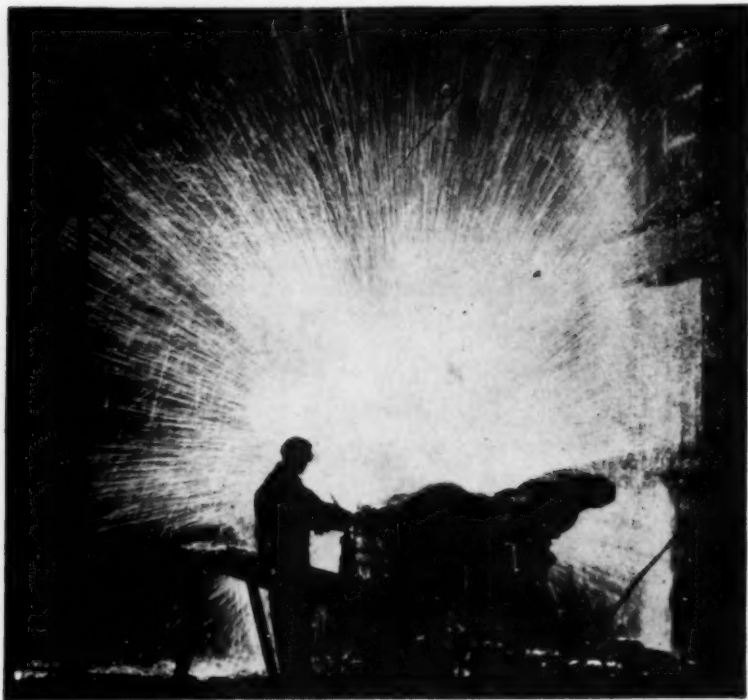
A Bargaining Matter

In the final analysis, wages are an expression of the bargaining power of labor and capital. During the past 18 months capital has not pressed its advantage as much as it might; there are still a few rays of hope that a seasonal employment increase and quickening industrial activities in some lines will flatten out the wage curve which has been getting steeper and steeper during the last 3 months.

Sentiment in Washington is almost unanimous for the maintenance of the highest possible wage levels. Political circles, viewing somewhat anxiously the Progressive nature of the next Congress, believe that now is the time to make economic adjustments out of capital instead of out of labor—otherwise they fear the wrath of Congress upon so-called Big Business.

Food Prices Cut Further; Drop for Year Is 16%

THE report of the Bureau of Labor Statistics shows a decline of .6 of 1 point in retail food prices for the month ending Mar. 15, while during the year



Babcock & Wilcox

HARK, HARK, THE ARC—What an electric butt weld looks like; heavy-walled pipe being joined without flanges or bolts. The charged sections are brought butt-to-butt, quickly separated to form the arc with this spectacular result. The pipe here is 14 inches across, over an inch thick

THE TRAIL OF A SALE

No. 2



The "ghost" who
switched the order

SIX months ago a midwestern refining company, operating as a subsidiary of an eastern oil company, decided to make a further improvement in the quality of its gasoline.

Investigation disclosed that the needed stabilization unit would require an investment of \$60,000. Four executives (see panel in center) collaborated in the buying recommendation which went to the Board of Directors for confirmation, *with specific mention as to the manufacturer of the equipment.*

After the vice-president of the subsidiary had drawn up his purchase contract but before he had delivered it, he mentioned the matter to the vice-president of the parent organization.

The latter questioned the selection, pointing out that the concern selected was not well-known and urging reconsideration of a better known competitor.

INDIVIDUALS AFFECTING THE SELECTION AND PURCHASE

INVESTMENT:

Subsidiary Co. Vice-President in charge of Refinery Operations; Chief Chemist; Refinery Supt.; Engineer; Board of Directors; (8 men):

Parent Co. Vice-President in Charge of Refinery Operations;

SELECTION OF MAKE:

Vice - Pres., Subsidiary Co.; Chief Chemist; Engineer; Refinery Supt.; Vice-Pres., Parent Co.

Second of a series of actual sales-trails in the oil industry, followed by a trained investigator instructed to trace every factor entering into each purchase, from the first suggestion to the placing of the order.

The complete history of each "trail" (with the obviously necessary exception of company names) forms a story of unusual interest to any chief executive, sales manager or advertising man.

The order was ultimately switched to the better known manufacturer.

The company which was "all set" to get the order does not advertise in National Petroleum News. The successful competitor has advertised in N. P. N. for twelve years. The vice-president of the parent company, the "ghost" in this incident, has carried a personal subscription to N. P. N. for nine years.

Stronger evidence could not be asked to prove the value of consistent advertising in

NATIONAL
PETROLEUM NEWS

1213 West Third Street Cleveland, Ohio.
MEMBER: A. B. C.: A. B. P.

NATIONAL PETROLEUM NEWS



Wide World

SIR PERCY BATES—The chairman of the Cunard Line visits this country to watch the Cunard's "sampling campaign" of week-end cruises to nowhere which will demonstrate the enjoyments of ocean travel

ending Mar. 15 prices dropped slightly less than 16%.

Compared with an average of 100 for the year 1913 the bureau's weighted index number was 150.1 for Mar. 15, 1930, and 126.4 for the same date 1931.

Reductions on specific items occurring during the Feb. 15-Mar. 15, 1931, period include 3% on flour, rice, certain meats, canned peas, and tomatoes, 26%

on steaks, bacon, navy beans, sugar. Of 51 widely separated cities reporting, 36 showed decreases in the average cost of foods during the year ending Mar. 15, ranging from 20% at Memphis and Portland, Ore., 16% at Boston, Chicago, Cleveland, Denver, Salt Lake City, and Savannah, down to 13% at Bridgeport, Newark, New Haven, and Washington, D. C.

Railroads Cut, Buses Cut; Score in Added Profits, 0-0

**Both increase traffic and gross returns
but extra service eats up extra revenue**

DRASTIC fare cuts to lure traffic back to the rails were in effect Friday and Saturday of this week on 5 roads serving the Minneapolis-St. Paul territory (the Omaha-Northwestern, the Chicago, Milwaukee, St. Paul & Pacific, the Chicago & Great Western, the Minneapolis, St. Paul & Sault Ste. Marie, and the Minneapolis & St. Louis). The rates were three-fifths of a one-way fare for

10-day round trips in day coaches, and a one-way charge in Pullman sleepers for the round trip, the lowest rates ever offered in the Northwest.

Meanwhile, results of similar tests on the Pacific Coast (BW—Mar 18 '31) are reported by the bus companies, who reduced their fares, also, to meet those of the railroads. They claim that no traffic losses were sustained by them;

that their business increased in about the same proportion as that of the railroads on the days when "bargain rates" were in effect on the rail lines. Net revenues of both groups failed to increase materially, the cost of providing the necessary additional service having eaten up the greater part of the increased revenues. Bus men declare that a portion of the traffic which would normally have moved under the standard rail rates moved instead on "bargain days," with resulting losses to the railroads.

An Analysis

Analyzing the effect of the rail fare cuts, the Pickwick-Greyhound Lines (main routes, Los Angeles to Salt Lake City, and Los Angeles to Gallup, N. M.) found that revenue per mile over the former route showed an increase of 1.3% during a 10-day period in which low rates were in effect on the rails, as compared with the 10 days immediately preceding the experiment. On the other hand, revenue on the Los Angeles-Salt Lake City route, which was not directly paralleled by any "bargain day" rail operation, fell off 1.5% per mile during the test period and then picked up 8.5% in the 10 days following.

W. H. Somers, president of the North Coast Lines, Seattle, reports business has increased to such an extent as the result of the lower fares forced by rail rate cuts that added equipment and more frequent trips are needed on his lines.

May Continue

R. T. Whiting, manager of the Washington Motor Coach System, reports: "The reductions by railroads have in every case been met by buses with the result that bus travel has greatly increased and added equipment is needed. Our gross revenue did not increase, but we carried more passengers. If after we have acquired more buses, railroad rates increase, we will be tempted to continue at lower tariffs to keep the new equipment in use."

Says T. B. Wilson, president of the Pacific Greyhound Lines: "The public will ask why the low fares on the railroads cannot remain permanently; why they were not put into effect long ago. The tests will prove a boomerang for the rail carriers."

Prominent bus officials in other parts of the country who have watched similar experiments unanimously report that the low rates have not had any appreciable effect on the bus business except to compel a like reduction in fares with a subsequent increase in traffic volume, but no increase in gross revenues.



F a r m s

WOULD WASTE AND PEOPLE HUNGER WERE IT NOT FOR

RAILROAD TRANSPORTATION

The riches of a thousand fields and farms would perish while people hungered, were it not for railroad transportation. Trainloads after trainloads come to our great cities daily, bringing the essentials of life to millions of our population.

And in our complete dependence upon railroad transportation, we depend upon the General American Tank Car Corporation . . . transportation's foremost aid.

During the past thirty-two years, General American has built thousands of freight cars. They range from cars that carry molten metal to cars that carry

chlorine and helium gas . . . giant cars weighing one hundred tons each, and little midgets for interplant hauling.

In addition to building all kinds of freight cars, General American operates the largest privately owned freight car line in the world. It also maintains a large export terminal for the handling of bulk liquids, and a complete European freight transportation system.

No matter what your product, you should investigate shipping it in bulk in a General American car. Address, 230 South Clark Street, Chicago, Illinois.



GENERAL AMERICAN TANK CAR CORPORATION

"A RAILROAD FREIGHT CAR FOR EVERY NEED"

Among those so reporting are: C. E. Wickman, president of the Greyhound Corp., holding company for a country-wide network of long distance bus lines; J. N. Campbell, assistant to the president of the Tri-State Transit Co., operating in Louisiana, Mississippi, and Florida; P. J. Neff, vice-president and

general manager of the Missouri Pacific Transportation Co., subsidiary of the Missouri Pacific Railroad; Mark Patterson, president of the Oklahoma Transportation Co.; F. J. Feight, president of the Teche Lines, Inc. (Louisiana); and B. T. Peyton, manager of the Union Pacific Stages, Portland, Ore.

The Eastern Merger Is Complete As Far as B. & O. Is Concerned

WHILE the Eastern trunk line merger agreement is being whipped into shape for presentation to the Interstate Commerce Commission by lawyers and accountants, while arbitrators are trying to reconcile the divergent ambitions of contesting railroads, transportation observers, analyzing the widely differing stratagems devised by each road to gain preferred positions, find the Baltimore & Ohio definitely "on top," with its merger objectives completely attained.

Step by Step

With publication of the I.C.C.'s own consolidation plan, the B. & O. proceeded to mould its system along the lines suggested. Step by step it acquired the Buffalo & Susquehanna, the Buffalo, Rochester & Pittsburgh, the Reading (in large part), and the Chicago & Alton, all with the I.C.C.'s approval or the certainty thereof.

In addition to having a double route

from New York to Chicago (which will be patched out with certain trackage rights in Pennsylvania), the B. & O. will be able to claim the short-line mileage between these 2 points. Singularly enough, the B. & O. has done what that astute operator of the previous decade—A. H. Smith, of the New York Central—tried for years to accomplish. Incidentally, Mr. Smith's objective will finally be reached by the N.Y.C. when it acquires the Delaware, Lackawanna & Western.

B. & O. is now the only one of the big four Eastern lines to have a Chicago-Kansas City connection, for its purchase of the Chicago & Alton enables it to reach out west of the Mississippi with the tacit approval of the commission, which suggested such a plan. In a passenger sense, B. & O. has "scooped" the field. The Alton is a popular line out of Chicago and Kansas City. East-

bound business from the latter point can be routed by Alton agents over B. & O. to all Eastern cities, and through sleepers from Kansas City to New York are more than a possibility.

Still the Alton

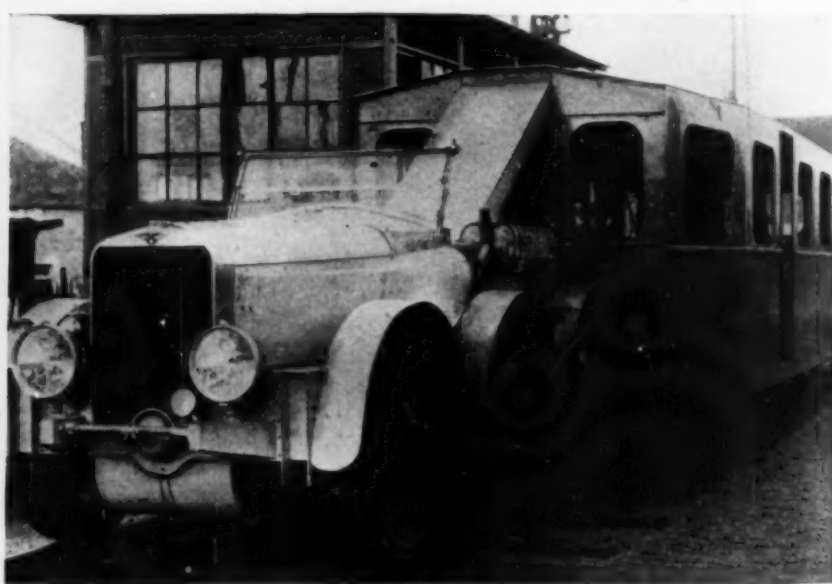
B. & O. will move the Alton's terminal facilities in Chicago from the Union (half owned by the Pennsylvania) to the Grand Central station, thus returning the Pennsylvania's compliment in expelling it (B. & O.) from the Pennsylvania terminal in New York. Incidentally, the name of the Alton will be retained for its good-will value, Daniel Willard informs *The Business Week*.

Balancing assets and liabilities, the Baltimore road has, in a quiet way and free from a blare of publicity, accomplished its merger objectives. It can now sit back and watch its neighbors fight it out.

Bigger Ore Shipments On Great Lakes Expected

IRON ore shipments over the Great Lakes this season from the ranges in Minnesota, Michigan, and Wisconsin are expected to increase considerably over last year.

The total in 1930 from the Lake Superior region mines was 46 million tons as compared to 65 millions in 1929. This year, mining experts say, the figure will be about halfway between.



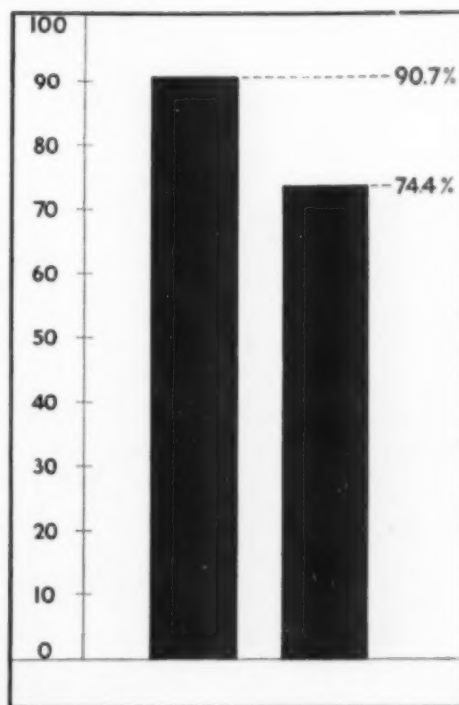
MOTORIZING THE RAILROADS—French railroads ended 1930 with a \$100-million deficit; the government investigating committee recommended, among other things, the motorization of short lines where traffic is light. The new tractor-trailer train (right) carries 36 passengers. Wheels are steel-flanged, rubber tired

Skim-Milk Markets *is Prohibitive*

To make a profit, eliminate
everything which interferes
with Profit

Advertising in Scripps-Howard newspapers is profitable national advertising because it confines your selling where greatest profit can be made.

The Scripps-Howard sales presentation, "Where Selling Should Stop," is more than a sales talk. It is the exposition of a fundamental Profit-Principle—an engineering approach to the sales problems of today. This presentation will be given—on invitation—to any executive or to a group.



74.4% of Scripps-Howard circulation is concentrated in cities.*

90.7% of Scripps-Howard circulation is concentrated in profit-areas.**

*Scripps-Howard Cities of Publication
**Standard A. B. C. areas

NEW YORK <i>World-Telegram</i>	WASHINGTON <i>News</i>	DENVER <i>Rocky Mt. News</i>	MEMPHIS <i>Press-Scimitar</i>	KNOXVILLE <i>News-Sentinel</i>
CLEVELAND <i>Press</i>	CINCINNATI <i>Post</i>	TOLEDO <i>News-Bee</i>	HOUSTON <i>Press</i>	EL PASO <i>Herald-Post</i>
BALTIMORE <i>Post</i>	BUFFALO <i>Times</i>	COLUMBUS <i>Citizen</i>	YOUNGSTOWN <i>Telegram</i>	SAN DIEGO <i>Sun</i>
PITTSBURGH <i>Press</i>	INDIANAPOLIS <i>Times</i>	AKRON <i>Times-Press</i>	FORT WORTH <i>Press</i>	EVANSVILLE <i>Press</i>
SAN FRANCISCO <i>News</i>	COVINGTON <i>Kentucky Post</i>	BIRMINGHAM <i>Post</i>	OKLAHOMA CITY <i>News</i>	
	—Kentucky Edition of Cincinnati Post		ALBUQUERQUE <i>New Mexico State Tribune</i>	



A Director of Directors Defines a Director's Job

Charles Hayden, who sits on 72 boards, says it may be a brakeman's job, it's always an important one

WHEN securities are mounting, investors do no complaining and seldom carry their investigations much further than the ticker tape. When business is poor and leads to reduced earnings, thence to dividend cuts, investors grumble. After nearly 2 years of stock market decline and business depression, reductions in dividends are being made by all kinds of corporations. Inevitably, investors have raised all kinds of questions, probing into management, into company policy.

The Business Week presents here comment on the subject matter of these questions by an executive highly qualified to discuss it: Charles Hayden, banker, head of Hayden, Stone & Co., director of directors. There may be financiers on more boards of directors than Mr. Hayden but no other has such diverse interests. He is officer or director in 72 large corporations. He is chairman of 10 boards, a member of 31 executive committees and 9 finance committees. The sweep of his influence encompasses railroads, sugar, public utilities, banks, chemicals, mining, shipbuilding, hotels, motors, insurance.

Here are Mr. Hayden's answers to pertinent questions asked by *The Business Week*:

Do you try to attend meetings of all boards of which you are a director?

Yes.

Small Boards Better

Since attendance of many larger boards is poor, why not small boards of really active directors?

I am strongly in favor of small boards of active directors and think nothing is gained by large boards merely composed of what might be called prominent names, unless they are really interested in the company and are giving the benefit of their business experience and judgment wherever they can.

Aren't executive committees, etc., actually taking over functions formerly exercised by boards, and is there any danger in this?

That is undoubtedly so in some cases and dangers could come from it. If there is a small board of only active people there is no necessity for the executive committee. An executive commit-

tee is absolutely necessary where there are big or cumbersome boards on which many people are directors merely because they had some interest many years ago or because they do not want to resign or the officers of the company do not feel like asking them to resign.

What dominant trait makes the best director?

A substantial ownership in the company plus a belief in the executives and willingness to back them up after examining their program and finding that it seems to be a reasonable one.

The Outside Viewpoint

What qualities does the outside director bring to a board in compensation for his unfamiliarity with the organization or its industry?

I can only speak from personal experience. Lots of excellent operating executives are not well posted or poised on details of financial plans or methods of capitalization or financing. This is where a banker can be of value to a board if he does not try also to become the operating executive.

When a new director goes on a board what questions should he ask first?

He should ask for a balance sheet and statement of earnings and see that his company is in sound financial condition, and if not, what can be done to improve it.

What is the common cause of financial ailments?

One of the most common causes is the vanity of too rapid expansion without solidifying as each step in expansion takes place.

What do you think of officers who feather their own nests at the expense of their companies?

Less than nothing.

What does a company gain or lose through a bonus system for officers?

I am a great believer in some kind of a system which gives the salaried officials right down the line an extra incentive to try to get extra good results for the corporation. I think they should be paid a reasonable salary for their work based upon a normal year and that the profit-sharing or whatever system may be adopted should only start after the people whose money is at stake have had a



The Business Week

CHARLES HAYDEN—Always busy, he still looks younger than he is

reasonable return on their money. I think that anything that starts at the bottom, regardless of what the owners of the property get, is vicious and should not be allowed. Personally, I much prefer to give a man an opportunity to become a stockholder in the company on liberal terms rather than merely pay him a cash bonus.

Newspaper Bunk

What is the answer to protests against "banker management"?

I do not know anything about "banker management." I do not believe in it. I do not believe it exists much. I think it is just newspaper bunk. I know of no company with which I am connected where the operating executives are not the real managers on every point except financial policy. Because they are good operating executives it does not follow that they are sound bankers. Since, through vanity, so many companies went into wild expansion in 1928 and 1929 developing too great a productive capacity with the depressing results that have come the last 12 to 18 months, I believe that banker advice serving to keep a brake on operating executives is most desirable and essential.

How can a banker reconcile his can-

tion with the adventurous spirit necessary for a live organization?

There is an old nursery rhyme—

Jack Spratt could eat no fat,
His wife could eat no lean,
And so between them both,
They licked the platter clean.

That is the answer to this question.

Has the slump caused changes in the way directors are paid?

I think many companies whose dividends have been reduced and whose earnings have been bad, have reduced directors' fees, where these have been large, in the same way that salaries of officials have been reduced. There is no "common practice" on fees.

Assuming that 1931 will be a tough year, what advice would you give company officials?

What makes securities popular and strong is earnings—not dividends. My advice to any company is to stay in strong financial condition and not to try to pull itself up by its bootstraps.

Charles Hayden was born in Boston, son of a wealthy leather manufacturer. He is 60 years of age and a bachelor. He was graduated from the Massachusetts Institute of Technology in 1890. After 6 months in Europe he entered a Boston brokerage office at \$3 a week, where he met Mr. Stone, with whom, a year later, he formed the firm of Hayden, Stone & Co.

"In Conference"

Demands on his time force Mr. Hayden to pack an unconscionable amount of work into every minute of his day. Assistants must submit proposals reduced to their naked essence, in the fewest possible words. Questions and answers have a machine gun precision. Most of his day is spent out of the office at conferences and board meetings. He gets to work at 9 o'clock. By 9.30 his correspondence is answered, his desk clear and ready for another day.

Personally he is anything but a machine. Active socially, he finds time for the theater, movies, books. Like many Wall Streeters, he indulges in detective stories and is adept at guessing who killed the eccentric millionaire found murdered in the locked library. For many years he owned a steam yacht but let the government have it during the war and has not bought one since.

One reason for Mr. Hayden's presence on so many important boards is that, as head of a house interested in securities, he wants to keep a watchful eye on the proper use of corporate funds. Also his reputation as an astute and conscientious executive creates an increasing demand for his services.

The
famed

"Y and E" Efficiency Desk in STEEL!



The famed "Y and E" Efficiency Desk has for years been the standard of excellence in wood desks. Now in "Y and E" Steel Desks the busy office worker finds the same time and labor saving efficiency.

From the glare-proof, stain-proof top to the last detail of the bronze leg caps, these rugged steel desks are built for efficiency. The drawers accommodate a large number of card records for ready reference purposes. At a touch vertical file drawers roll in and out on ball bearing progressive slides. The annoying problem of desk locking is solved intelligently and simply. Numberless refinements, large and small, make a "Y and E" Steel Desk a true efficiency desk.

Built of best quality steel and beautifully finished, "Y and E" Steel Desks last a lifetime and are always trim and attractive. Ask your "Y and E" man or send for complete Catalog No. 3860.



A. R. McCOMSEY,
"Y and E" man in New
York City, is one of
thousands of "Y and E"
men at the service of
business offices in all
parts of the country.

YAWMAN AND ERBE MFG. CO.

462 JAY STREET :: ROCHESTER, N. Y.
Export Dept., 368 Broadway, New York, N. Y., U. S. A.

Steel and Wood Filing Cabinets... Steel Desks...
Steel Shelving... Safes... Office Systems and
Supplies... Visible Index Equipment... Bank and
Library Equipment.

"FOREMOST FOR MORE THAN FIFTY YEARS"

Yawman and Erbe Mfg. Co.,
462 Jay St., Rochester, N. Y.
Please send me complete details on the
"Y and E" Steel Efficiency Desk.

Farm Board's Job World's Biggest But It Is Well Worth Trying

Attempt to organize the most chaotic of basic activities appalls beholders

(This is the eighth and final article of a series appraising the present and prospective effect of the Farm Board on agriculture and business)

As should be clear from preceding articles in this series, the principal potential constructive purpose which can be ascribed to the Agricultural Marketing Act and the Farm Board is the development of an effective machinery of organized planning and coordination for agriculture through the cooperative association of farmers.

The other objectives which the board has pursued through its stabilization activities, its tariff and embargo recommendations, its acreage reduction propaganda, and its strategy in co-op politics were all intended immediately to raise the level of farm prices relatively to other prices or, in other ways, give certain farmers an advantage over others, and agriculture a certain advantage over other industries.

Shadow and Substance

These things have proven futile in themselves because the board has mistaken the shadow for the substance. They can be valuable only as they are subordinated to the broad fundamental purpose of planning and coordinating agricultural development in an organized way.

This is the most formidable task ever undertaken in any industry by private or public action. Agriculture is the most chaotic and unstable of all basic economic activities, carried on by millions of independent producers, combining a way of living with a more or less casual business subject to uncontrollable and largely unpredictable natural influences.

It's Worth Trying

For these reasons, many believe that it does not lend itself at all to organization, planning, and coordinated action; but the need is so great that the attempt is worth making and some form of governmental aid or encouragement is probably justified in view of the difficulties involved. If successful in this industry, it would have a stabilizing effect upon the whole business structure of the country, for while agriculture does not bulk as large as it used to in strictly economic terms it

is still a fundamental factor politically and socially.

But governmental action to this end is at best dangerous and difficult to manage fairly and intelligently, especially where it is dominated by partisan political considerations and guided by an inconsistent, confused, and vaguely-thought-out policy embodied in law, as is the case with the Agricultural Marketing Act. If the policy is inconsistent with other governmental policies toward business, if it is unfair and discriminatory toward other business interests, if it is arbitrary in its application to agriculture itself—as the Farm Board's policy has so far been in many respects—it is not likely to succeed because it will arouse the antagonism of other groups as well as some agricultural interests and destroy the essence of cooperative action within and outside agriculture.

And since such failure, in turn, al-

ways affords material for political agitation and pressure, the inevitable outcome will be to force government into more drastic action to overcome the obstacles that arise, by exercising more arbitrary and extensive control over the industry and its related businesses.

Dangers Easily Seen

These dangers are clearly to be seen in the policy that has been pursued in fostering cooperative organization on the marketing side. As indicated in the last article the successful organization of agriculture requires bringing the producer co-ops into a constructive relationship to the private merchandising, processing, and manufacturing interests involved. At the very least, it is necessary for government to apply the same policies to these other businesses as it does to farmers, and to permit organized cooperative action on their part in coordination with the producers.

A Dilemma

It is impossible to achieve any effective coordination and planning for the agricultural industries as a whole if the producers are to be not only permitted but compelled to act in combination, while the private marketing, processing, and manufacturing interests are prohibited from any concerted action. Yet the government with one hand has been fostering such action by cotton, wool, livestock, and sugar beet producers, and with the other hand it has



THE FEDERAL POWER COMMISSION—Left to right, seated, are Frank R. McNinch, Dr. George Otis Smith, chairman, Ralph B. Williamson; standing are Marcel Garsaud and Claude L. Draper. Opposition to the chairman has died down since the New River decision (BW—Apr15'31)

interfered with and prosecuted such action undertaken by cotton manufacturers through the Cotton Textile Institute and the Mercerizers' Association, by the wool manufacturers through the Wool Institute, the meat packers through the Consent Decree, by sugar refiners through the Sugar Institute; and state legislation is now beginning to discriminate against the chain stores, the largest organized distributing agencies for food products.

Production Control

More complex and far-reaching issues still are raised by the Farm Board's policies in building cooperative organization as a machinery for control on the production side. Obviously, this is a necessary part of organized planning and coordination in agriculture, but the board appears as yet to have no clear or definite idea of the problems involved or of where it is going on this line.

Production control has been thought of so far merely as an expedient for raising the price of farm products and the board has been merely broadcasting general exhortations to farmers and the co-ops to reduce acreage in the vague hope that if enough of them anywhere, somehow, did so it would help raise prices and enable the Farm Board to dispose of its surplus holdings with less loss. It looks to the co-ops, subject to its close credit control, merely as an agency to compel obedience to its vague policy of production control.

A Paradox

It is, of course, a paradox that the government through one agency should be trying to compel restriction of production by one industry while through another agency it prohibits restriction in other industries. The same paradox is evident in crude oil production, which is a kind of farming. Ultimately, it is unlikely that curtailment of production of agricultural raw materials through cooperative action of producers can be successful if similar production control by users of these materials is impossible.

But the weaknesses in the board's policy of promoting acreage reduction by cooperative action are more fundamental. This policy emphasizes the board's complete lack of interest in problems of production costs. It ignores the possibilities of cost reduction through improved agricultural technique and farm management. It assumes off-hand that farm income can be increased only by higher prices and that higher prices can be obtained only by abandonment of the export market. All of the fundamental changes that are

taking place in agricultural production through large-scale farming are left out of consideration or deprecated and the board's policy is based upon the desirability or political expediency of maintaining the marginal high-cost producer through higher prices.

Granting that higher prices through abandonment of the export market may be desirable, it is evident that the objective cannot be obtained merely by blanket recommendations for acreage reductions without careful planning and ultimately drastic extension of governmental control, supplemented by tariff and import restrictions. In agriculture acreage reduction does not necessarily mean production control, because natural conditions make for wide variations in crops regardless of acreage.

Works Both Ways

This fact is presumably to be taken care of by stabilization operations, and the government would be forced back into this field by a thorough production control policy. This would not be as popular as it might seem among farmers, because it could succeed only by being worked both ways. The board would have to apply its stabilization powers not only to keep up prices when production accidentally happened to be too large, but to keep prices down when it happened to be too small, so as to discourage any great increase of acreage the next season. It would have to use its stabilization weapon to keep marginal farmers out as well as to keep them in. Fancy that!

But more difficult still is the problem of who is to do the acreage reducing. Voluntary reduction by individual farmers on the basis of statistical information and enlightened self-interest is a fantastic hope, because every farmer naturally counts on reaping the benefit of the other fellow's cut in production. Presumably the co-ops, controlled by Farm Board credit, could overcome this difficulty; but cooperative organization would have to be complete and, therefore, compulsory in order to be effective.

Costs Vary Widely

Moreover, each producer and each section of the country has different costs of production. Is the restriction to apply to low cost as well as high cost producers and regions? Who is to decide where the required wheat acreage is to be planted and by whom? Who shall say what land shall be taken out of cultivation for certain crops and what shall be done with it? What is the farmer to plant instead of wheat or cotton? How are the tax and interest



BEAUTY at a SAVING

MANUFACTURERS facing keen competition are turning from castings to metal stampings for their trim, accurate, graceful lines insuring a more saleable product . . . for the savings in machining, rejections, breakage, assembly time and weight that permit them to deliver a better product at lower cost.

Bring your product development problems to the Pressed Metal Manufacturing Division of the American Pulley Co. Here you will find the expert assistance of a designing and engineering department with over 30 years of experience in such work.

Here you will find a modern plant covering seven and one-half acres and equipped with over 100 power and hydraulic presses engaged in the manufacture of the most difficult metal shapes—deep drawing—flanging—embossing—from both light and heavy gauge metals.

Send blue prints for quotations or ask for a representative to call.

Pressed Metal Manufacturing Division

THE AMERICAN PULLEY COMPANY
4200 Wissahickon Ave., Philadelphia, Pa.



Stewart FENCES

Stewart Surveys Property Free

A line survey of unfenced Factory property will be made by the Stewart Fence Specialist without cost. Grades established and blue-prints furnished. Make arrangements early—today.

This is the best time to Fence. Prices are down. And Stewart is lowest-cost producer of both Wrought Iron and Chain Link Wire Fences.

THE STEWART IRON WORKS CO., Ltd.
733 Stewart Block, Cincinnati, O.



Thieves can not break through or climb over Stewart Chain Link Wire Fence. It is strong, non-climbable, lasting.

SAVE 1/4 to 1/2 on BOOKS

Million volumes in stock, new and used, all subjects. Special offers to Industrial and Factory Training Schools. Write for price list on these subjects:

Accounting, Auditing and Bookkeeping, Economics and Business Organization, Business English and Correspondence, Finance, Banking and Statistics, Public Utilities and Labor, Advertising, Business Law, Engineering Drawing, Insurance, Retailing, Salesmanship.

COLLEGE BOOK CO. Est. 1902

F. C. Long, Prop., Dept. 2 COLUMBUS, OHIO

Fast Timely Thorough

To press Thursday night, on its way to subscribers Friday and Saturday—*The Business Week* has set a record in periodical publishing. More important, it serves its subscribers with timely information—live, dramatic, pulsating, business NEWS; the meaning of new developments; the status of current business activity.

THE BUSINESS WEEK

by subscription: 1 year, \$5.00;
3 years, \$12.00

charges on marginal or unused land to be met?

Obviously any effective production control policy pursued by the Farm Board requires (1) a national plan of land utilization; and (2) a vast extension of governmental control of utilization. There are already hints of this in the Kansas and Nebraska laws prohibiting corporation farming and in the Texas proposals for actual acreage control by the state.

Vast Complexities

Ultimately some federal acreage allotment system for producers and licensing of cooperative or other agencies for handling interstate movements of farm products would be required. This would entail inconceivably vast readjustments of local agricultural and business activity, farm land values, banking conditions, railroad development; and precipitate bitter conflicts of government with local real estate and other business interests of every kind. The final outcome would inevitably be the nationalization of agricultural resources, the expropriation of property rights and abolition of individual liberty of the farmer. It is inconceivable that governmental policy in this country could be pushed to this logical extreme.

It seems inevitable, therefore, that the Farm Board will finally be forced back in its policies to the position and function of a kind of general advisory staff for agriculture, a sort of governmental secretariat for the voluntary trade organizations of the industry. The co-ops will continue to be the basis of its activities and they will be brought into closer coordination with the other business interests concerned. It will continue to advise and aid them with more and more complete information, with technical advice in problems of production, marketing, organization management, cost accounting, etc., but they will have to develop by their own initiative and resources, and its financial and political control over them will have to disappear.

A Possible Service

In these ways, by persuasion, education, and information it can probably render a great service in stimulating more effective organization of the agricultural industries for intelligent planning and coordinated action. But all those policies which have, so far, been forcing it into more and more direct conflict with the interests of correlated business activities and with the initiative of individual farmers will have to be abandoned if this constructive outcome is to be achieved.

Wool Men See Benefits In New Futures Market

FUTURES trading in "wool tops," trade name for semi-manufactured wool, will begin on the floor of the New York Cotton Exchange on May 18. It will be carried on by the Wool Associates of the New York Cotton Exchange, Inc., which includes the Cotton Exchange roster and 150 outside members who enjoy the courtesies of the floor, but must trade through regular members.

The unit of trading will be 5,000 lb., the basic grade being "oil-combed domestic 64's top." The delivery point is to be Boston.

The new exchange—first of its kind in this country—is expected to become a leading factor in world's wool trade, offering hedging facilities to wool producers, dealers and manufacturers. At present there are only 2 futures markets for wool tops—both small—one in Antwerp the other in Roubaix, France.

Futures trading in raw wool has not been considered on account of the large variety of wools and the differences in shrinkage, which preclude selection of a standard type.

Construction Activities Bring Work to Thousands

INCREASED activity in highway, residential, non-residential, semi-public, and public building construction during March provided employment for thousands. The number of building permits issued in March rose 51% over February, according to the Bureau of Labor Statistics. Residential permits increased 34.4% in value over February; non-residential permits, 74.5%. Estimated total of building operations for which permits were issued was \$153 millions, 11.3% less than March, 1930.

During March, 34 states let contracts for 5,642 miles of roads at a total contract price of \$80 millions. This was 3 times the total of contracts let in March last year. March contracts alone are estimated to have given unemployment to 137,000 persons which, added to the 192,000 needed for contracts let previous to March, indicates that state highway programs will provide jobs for nearly 330,000 persons this summer.

During the week ending Apr. 18 contracts for public and semi-public construction amounting to \$74 millions were awarded. This brings the total of such construction now outstanding but on contract to \$1.155 billions.

Price Cut in Canadian Newsprint May Bring About Big Merger

**\$5 drop is not expected to increase sales;
mills losing money at existing rate of \$55 a ton**

NEWSPAPER publishers got an unexpected break when leading Canadian newsprint makers announced a \$5 a ton price reduction effective May 1 and a \$3 cut retroactive to Jan. 1. Members of the Newsprint Institute of Canada—Canada Power & Paper Corp., Price Bros. & Co., Abitibi Power & Paper Co., St. Lawrence Paper Mills Co.—joined in the price cut; other companies, including Canadian International, are expected to follow.

Cut Unexpected

Although conditions have been unsatisfactory in the newsprint industry for a long time, a general price cut had not been expected. Scattered cuts by concerns outside the Canadian group were given as the immediate reason for their action. It is unlikely to increase the demand for newsprint; newspapers will continue to be thin until advertising increases. The chief result of the lower prices will be somewhat quicker elimination of weak high-cost mills than would be accomplished otherwise.

The industry is still suffering from the aftermath of its hectic development period of 1923-1929 (*BW*—Jul 23 '30). Due to reduced advertising, use of newsprint has dropped about 20% from 1930 levels. Newsprint mills are operating at about 60% capacity—about the lowest they can go and still provide for overhead charges—yet inventories at the end of the year were the highest since 1918.

Warning Mar. 17

In view of these conditions and the fact that most newsprint producers are large concerns, well aware of the evils of price cutting, it was not generally expected that the prices set at the end of 1928—about \$55 a ton, mill—would be altered. Warning that a cut might take place was made when International Paper Corp. wrote its customers on Mar. 17 asking them to keep the company informed of any price cuts made by other manufacturers. A few days later, on Mar. 25, J. H. Gundy, president of Canada Power & Paper Corp., at its annual meeting complained that some concerns outside the Newsprint Institute were shading prices.

In a scathing criticism of the industry

Premier L. A. Taschereau of Quebec blames company promotion and overcapitalization for its ills. He cites the fact that, in the face of an impending price war, with overproduction and bankrupt prices, over \$58 millions of additional capital was invested in the Canadian newsprint industry in 1929. "Future profits have been capitalized," he continued, "and the overcapitalization converted, it may be presumed, to the benefit of the enterprising promoters, and as a result this basic industry has been hopelessly loaded almost to the crack of doom."

Merger Talk Revives

Indicative of the vital necessity for stabilization, this latest price cut will renew interest in the proposed merger of several leading concerns into one of the largest industrial organizations on the continent. Long discussed in newsprint and Canadian circles, nothing definite is yet available as to the progress of negotiations which are still supposed to be going forward. Should Abitibi, St. Lawrence, Canada Power & Paper, Backus-Brooks interests and Canadian International combine—as rumors suggest—it would have enormous effects upon the industry and would almost assure its future stabilization.

Lumber Mills Cooperate to End Export Price War

NEARLY 90% of the lumber mills in Washington, Oregon, and British Columbia are cooperating in a plan to end disastrous competitive price-cutting in export trade and stabilize the industry.

They will turn over their exports, totalling nearly 50 million feet of lumber a week, to the Douglas Fir Exploitation & Export Co., a sales organization operating under the Webb-Pomerene Act (permitting trade combinations to promote exports only).

Competition for foreign business in recent months has demoralized the market. The D.F.E.&E. will conduct a sales extension campaign, will attempt to end price-slashing by quoting firm prices and convincing foreign buyers that cabled quotations are rock-bottom.



This Book Is Free! Write today for your copy.

The A.W.A. Can Be Your Branch House in 189 Cities

WOULD you like to increase your sales, improve service to your customers and at the same time cut your distribution costs? Read what G. W. Horstmann, of the Colgate-Palmolive-Peet Company, says about public warehouses in distribution:

"We have been using public warehouses for a great many years in the distribution of our products. The service available through these institutions, organized on the proper basis, would be very difficult to duplicate where goods are distributed in a national way. Except in the larger cities, the volume as a rule does not justify the development of a separate organization by a Corporation to handle the service; and there is no other way I know of that this work could be carried on as economically or as efficient as through public warehouses."

"We have also effected economies by shipping cars into these locations and distributing in smaller lots. To any firm whose sales policy requires service with the utmost of economy, I could not think of any better place through which to operate than the up-to-date, efficiently-operated, commercial warehouses."

"This method is flexible, serving in large or small quantities with equal efficiency and economy."

A full description of the AWA Plan of Distribution (as used by Colgate-Palmolive-Peet and other famous national concerns) is given in our 32-page booklet, sent free on request. Write today for your copy.



**AMERICAN
WAREHOUSEMEN'S
ASSOCIATION**

1878 Adams-Franklin Bldg., Chicago, Ill.

Germany Begins to Take Its Oil Strike Seriously

With potash millions behind it, Americans interested and a government market, things are moving fast

EUROPEAN NEWS BUREAU—Germany's oil rush is on in a grand way. The government is behind the move. So are the country's 2 giant potash producers (Germany supplies 75% of world potash demands). Even the German Post Office is cooperating.

Americans came into the scheme very definitely when the contract for the construction of the first large refinery was awarded to Arthur G. McKee & Co., Cleveland. Initial refining capacity will be 60,000 to 70,000 tons of crude oil. Cost of construction is estimated at \$1 million. The work begins in May, must be completed this year.

U. S. Oil Men Interested

In the 60 years since the first oil well was dug in the Hanover region, Germans have failed to take oil seriously. Americans, snuffing about last year among the low sheds which "housed the industry," suddenly showed an interest, offered to buy a large tract of potential oil land. Trial drillings were made by the North European Oil Corp., a Delaware company, recently bought by Sydney Keough of Denver, and the Hope Engineering Co. of Ohio.

More significant, probably, is the fact that a German company—Norddeutsche Mineraloel Aktiengesellschaft—has come under the control of the Magdalena Syndicate Corp. of New York. Some oil men believe that means Sinclair; others think it is Henry L. Doherty.

Government in Business

When German oil production jumped ahead 65% in 1930, and when it became necessary to throttle one of last year's biggest gushers because of inadequate storage and refining facilities for domestic oil, the Prussian government-owned Preussag (Preussische Bergwerks und Huetten A. G.) created a sensation by entering the oil business—(1) "to prevent the 'alienation' of German oil fields"; (2) "to cover government requirements both state and federal." To its coal and potash mines it added an oil unit made up of a number of small operating companies. Glancing over the country's production chart, Preussag felt justified in its move: Output in metric tons went from 110,990

in 1910, to 61,130 in 1914, to 35,040 in 1920, then rose to 95,360 in 1928, to 169,590 in 1930, to an estimated 300,000 in 1931.

Proof of Profits

If any doubts still existed regarding the future prospects of the German oil industry they were removed by the news that the biggest and second biggest German potash mining concerns, Wintershall and Burbach, had also decided to extend their activities to oil. They would not have done this in such an ostentatious way—so the public reasoned—unless they had definite proof that there were big profits in German oil. These 2 powerful companies could no doubt alone easily finance the entire Hanover oil developments for the next few years.

Burbach had a profitable advantage from the first. Drilling started from the bottom of its own potash mines, 1,000 meters below the surface of the earth.

Costs were at a minimum, scarcely \$2,500 a boring, compared with \$30,000 and more for surface drilling. Experts say the Burbach "potash oil"—60 tons a day in the Volkenroad mine—compares well with Pennsylvania oil, with 20% to 25% of gasoline content. So far, Burbach has been selling its crude to I. G. Farbenindustrie, which "hydrogenates" it into gasoline. It now has contracts permitting it to bore for more oil at Muelhausen in Thuringia, promising oil territory.

Wintershall has not yet struck oil in its own potash mines (situated largely in another district). It chose another way—obtained control of the Elwerath mining company, one of the most successful of the older operating oil concerns but is also negotiating with a number of towns and counties with a view to the purchase of mining rights.

Supply Post Office

The federal postal department (Deutsche Reichspost) has signed a contract with the oil companies under which it will take all their production of gasoline for a number of years. Its requirements—for trucks and buses—are now estimated at 40,000 tons of gasoline a year, but are rapidly growing with the expansion of overland postal bus services. Pending the completion of the new refinery, the German



HOME FROM RUSSIA—John Brown, chairman of Foster-Wheeler, and Mrs. Brown. He brought back contracts to build 6 refineries for the Soviets, part of the plan to increase oil production to offset the drop in coal production. Foster-Wheeler will also construct refineries for Vacuum Oil in France to be operated under the new license plan

subsidiary of Sinclair, at Cologne, will take care of the postal department's requirements. People are left to guess whether this privileged position of Sinclair, which has created a lot of ill-feeling among other American companies operating in Germany, indicates that, despite denials, he has got some kind of interest in the Hanover oil fields.

Assure First Sales

The postal contract relieves Germany's young oil industry of all worries as to how to market its gasoline during the first years. German filling stations now are in the hands of 4 big competitors—Standard Oil, Shell, Derop (the Soviet Oil Co. in Germany) and the German Benzol Combine, which sells a mixed motor fuel. To build up its own

distributing organization and network of filling stations would have been expensive and risky as long as sufficient and regular supplies of domestic crude oil have not yet been definitely secured.

Consumers of oil products in Germany view these developments with mixed feelings. They welcome the prospect of Germany freed from an almost absolute dependence on foreign supply, the keeping of \$100 millions in annual oil "toll" within the country. But there are some fears that the desire of the government to protect the infant domestic industry may lead to an increase in duties on imported motor fuel and thus impose a heavy burden on the motoring community at a moment when the motorization of Germany is really in its initial stage.

Petroleum Industry to Produce On 6-Month Estimate of Demand

Committees agree on output of 2½ million barrels daily; domestic demand to increase, exports drop

THE petroleum industry is now prepared to follow a definite program until Sept. 30.

The program is based on estimates of the 6-month gasoline demand by the Voluntary Committee on Petroleum Economics, sponsored by the Federal Oil Conservation Board, and a similar, almost identical estimate by the Committee on Refinery Statistics and Economics of the American Petroleum Institute.

Same Production

How well these estimates may be followed is indicated by the fact that while the estimated 6-month demand will require average daily production of 2.433 million barrels daily, the output for the week of Apr. 11 was only 2.308 million barrels and that was the highest output of the year. Similarly, at St. Louis a few days ago, the Oil States Advisory Committee recommended that oil producing states continue for another 6 months their present schedules of prorationing which limit allowable production to 2.189 million barrels daily.

In view of this evidence that the industry has control of its production there is confidence that the latest 6-month estimate will be followed more closely than those made in the past; that on Sept. 30 the statistical position of the industry will be greatly improved.

The Voluntary Committee expects domestic gasoline demand to increase 1.5% over the same period of 1930 but thinks exports will drop so that total demand will be 2 million barrels less than were required last year; 6-month imports are expected to drop about 3 million barrels, stocks will be lowered 17 million barrels more. Equivalent depletion took place during the same period last year.

The total gasoline demand is now set at 224 million barrels. With an estimated recovery of 48.365% of gasoline per barrel of crude oil, improved from 46.934% during 1930, this will require the production of 463.5 million barrels of crude to take care of gasoline sales.

While these efforts to aid the industry in general continue, localized trouble is breaking out in many places. In east Texas an operator has defied the state's efforts to gauge the output of his well; has run state gaugers off his property and is prepared to carry his fight through as many courts as the state desires.

Salt Water in Wells

The appearance of salt water in some of the outlying wells of the new east Texas pools has created some skepticism of their ultimate importance but recent estimates of their potential capacity



By changing only your showerhead, you can now take a healthful, forceful needle bath, a normal



Normal

or a flood shower



Flood

IT doesn't make any difference what kind of a shower you have in your bathroom—the new Anystream Self-Cleaning Showerhead fits all types and it is but the work of a minute to take off the old shower head—which probably has a lot of holes stopped up anyway—and replace it with this new head which makes any shower modern.

It can never stop up!

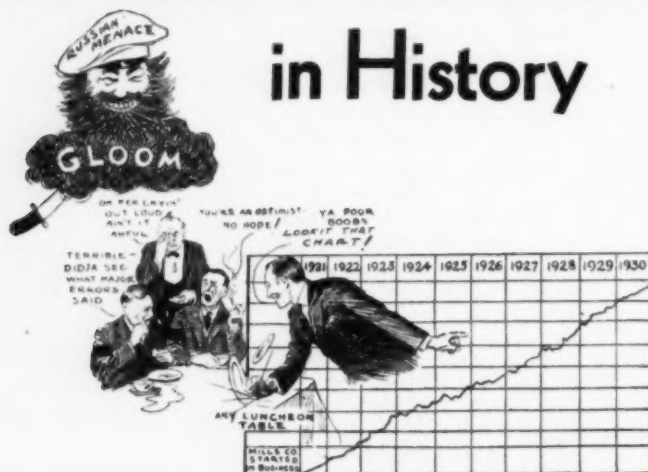
The remarkable results achieved by this Anystream Self-Cleaning Shower head are due to the six plungers operated by the lever handle. Complete descriptive matter sent upon request or ask your plumber for it.

SPEAKMAN COMPANY
Wilmington, Delaware

SPEAKMAN
SHOWERS & FIXTURES

Please send your folder on the Anystream Self-Cleaning Shower Head

The Greatest Alibi Year in History



The Mills Company began business in 1921. Born in a year of depression, nourished on a dish of gloom, the idea behind the company was so potent, the organization so forceful, that it proceeded from the 1921 standing start to a substantial nationally recognized business.

Our tenth anniversary finds the country, even the entire world, in the midst of another of its periodic depressions, but in 1931 as in 1921, this company rides forward on the potency of its idea of building partitions in interchangeable units of everlasting steel.



Mills Metal Interchangeable Partition
Dividing Executive Offices

THE MILLS COMPANY
A Mills Metal Partition for every Purpose
906 Wayside Road
Cleveland, Ohio
Representatives in All Principal Cities

MILLS METAL
INTERCHANGEABLE PARTITIONS

To those who seek it, this is the greatest alibi year in history; to Mills Metal, it is another year of forward looking progress.

place ultimate output from 500 million barrels to 2,500 million.

During the past week 4 cases (3 from California and 1 from New Mexico) before the Supreme Court challenged the validity of Secretary Wilbur's order refusing to grant oil and gas prospecting permits on public lands. Should these go against the government a major factor in the administration's oil conservation policy would be destroyed.

No cheer was found in the Petroleum Economics Committee's report that United States is losing its dominant world position. Gasoline shipments from the United States in 1930 increased 5 million barrels less than the 1929 shipments over 1928; exports of 8 other countries increased 5 million barrels more than in the year before.

The Soviets Begin To Take in Partners

EUROPEAN NEWS BUREAU — The Swedes and the Finns have shown a long-suffering patience in face of disastrous lumber competition from Russia. Prices have been slashed, markets cut.

Relief may be "just around the corner." The rumor is out in Helsingfors that Soviet authorities have thrown out feelers with the object of ascertaining whether Finland and Sweden would be willing to enter into an agreement regulating the timber trade. The proposal, if accepted, would include the fixing of prices.

This may mark a distinct turn in Soviet policy. Russia, up till now, has been selling such raw materials as timber at whatever price was necessary to underbid competition; has, for the moment, pushed lumber from Sweden and Finland into the background on the all-important British market.

Imports of sawn timber into Great Britain:

	1928	1929	1930
Russia	344,061	467,628	495,772
Sweden	178,096	339,005	184,045
Finland	332,275	393,628	300,868
U. S. A.	78,958	80,954	100,006
Canada	72,033	63,241	65,245

A second table shows that Russia has more than regained the 1913 market, that Sweden and Finland have suffered.

Shipments in millions of cubic meters of chief European timber exporting companies:

	1913	1929	1930
U. S. S. R.	10.4	9.2	12.0
Sweden	6.8	7.1	6.0
Finland	8.6	9.0	7.5
Poland	5.0	6.2	4.6

Business Abroad—Swift Survey Of the Week's Developments

Extreme nervousness undermined world business this week. . . . The reversal of Yankee protective policy in Latin America; the uncertainty of what is ahead for Cuba, Honduras, Nicaragua; the problems created by Spain's new move; the French counter-move in the Austro-German controversy; the pending British budget—are important factors. . . . Germany preserves the most steady front. France is staging a slight seasonal gain scarcely able to retard oncoming depression. Britain is too agitated over Monday's budget possibilities to make commitments. . . . The depression cloud hangs heavily over Latin America. . . . Japan falters before unsatisfactory domestic developments.

Markets Drop as Europe Watches Spain's Progress

EUROPEAN NEWS BUREAU (Cable)—The current feeling of business nervousness was precipitated by the unexpected

overthrow of the Spanish government. During the week, commodity markets—with the exception of wool and jute which showed signs of improvement—appreciably weakened. Wheat was firm on increasing evidence that European wheat reserves are approaching exhaustion, notably in Germany and France.

Prospects Improve

The scarcity of supplies has caused France to raise within the week from 10% to 20% the quantity of foreign wheat permitted for use by millers. Trade prospects are better than a year ago, unless wheat reserves about to be released by the Farm Board upset the market.

Steel prices are lower; iron fell below the lowest levels since 1915. Non-ferrous metals receded despite the favorable conclusions reached by members of both the tin and lead cartels. Dissidence among Dutch rubber producers and the East Indian government has discouraged buyers. Pessimistic reports sifting through from the United States have impaired the recent improvement noted

in European stock markets, since the feeling still exists that the United States must lead the world out of the present economic depression.

The new Spanish government rapidly is organizing, but apprehension is felt over its stability. The army is politically-minded, but heretofore, only the officers have entered into the intrigues which accompanied changes of government. Now, the soldiers are realizing that they are a part of a republican government and are in a position to exert political influence. Trade unionists are not cooperating wholeheartedly with the new government. Communistic opinion among the Andalusian laborers and Vizcayan miners is a source of apprehension, especially in France which is notably anti-Soviet.

Banks Reassured

The new government has signified its intention to abandon the unused Morgan credit of \$60 millions. Otherwise it is expected to recognize all national debts. Financiers are reassured because they realize that the young republic hardly dares to do anything to antagonize money markets in New York and in Europe.

Under the leadership of Foreign Minister Briand, France is planning a counter offensive of the Austro-German



FINLAND'S GREAT TIMBER INDUSTRY—The mills of the Enso-Gutzeit Osakeyhtio at Kotka. Here, wood from the company's millions acres of forest land is converted into lumber, pulp, and paper. Finland ranks second among European lumber producers; only Sweden has been harder hit in the Soviet drive for markets

Anschluss. It has proposed first that European countries, notably Germany, France, and Italy, at present rapidly approaching a grain deficit, should replenish their stocks largely from existing Danubian surpluses. Next, France suddenly evinces a desire to contribute generously toward establishing an international agricultural bank with a capital of \$50 millions to afford the agricultural countries of Eastern Europe the much-needed credits for financing long term mortgage loans. These credits are to be effected through existing national mortgage banks in each country.

Offer Bait

There is another sly move. France also has a place in the plan for long term credits and more favorable commercial treaties—bait for which any of a half dozen countries of Central and Eastern Europe will scramble unless there are too many strings attached, or unless the rumored international credit being contemplated by Montagu Norman comes to pass. And finally, Briand suggests a downward revision of French tariffs. It is in this last proposal that Briand may have damaged his prestige beyond all recovery at home, for most Frenchmen are protectionists to the core and any attempt on the part of the government to remove tariff barriers, especially in this trying time, would provoke bitterness among industrialists and agriculturalists alike.

Foreign trade declines in March are viewed with concern:

	England	U. S.	France	Germany
Exports	37%	36%	22%	17%
Imports	24%	30%	11%	34%

British Business Dull; Worry Over Budget

Business is dull—worried by poor March trade returns, anxious over the budget.... Coal, iron and steel improve slightly. Wool steady. Cotton quiet. Commodities generally depressed.... Lancashire seriously considers reorganization to compete in world markets.... Lead restriction agreed.

LONDON (Cable)—This has been a week of depression. Anxiety concerning the budget (to be introduced Apr. 27) is the most disturbing factor. The upset in Spain and consequent reaction, the very unfavorable trade returns for March, continued unfavorable railway earnings, and the French antagonism to the Austro-German affair were contributing factors.

Hopeful signs include a slight improvement in the Welsh and Yorkshire coal areas, some seasonal expansion in iron and steel, and the steady position of wool. Cotton is quiet. Rayon exports are sagging but home demand is good. Rubber, on the other hand, has dropped to a new low, non-ferrous metals are erratic, commodities in general are depressed.

Spanish Exchange Weak

The Spanish situation is not causing undue alarm. So far as London is concerned, its financial effects have been confined to sharp depression in Spanish exchange and weakness in securities of British companies working in Spain, the most important being the Rio Tinto Copper Co.

March foreign trade returns were disappointing:

	1931	1930	1929
Exports	£33,980,000	£53,946,000	£58,623,000
Re-exports	5,430,000	7,660,000	9,966,000
Total	£39,410,000	£61,606,000	£68,609,000
Imports	70,660,000	93,420,000	98,593,000
Excess	£31,250,000	£31,814,000	£29,984,000

The cotton mission to the Far East insists, in its report, on the necessity for reorganization and unification of the

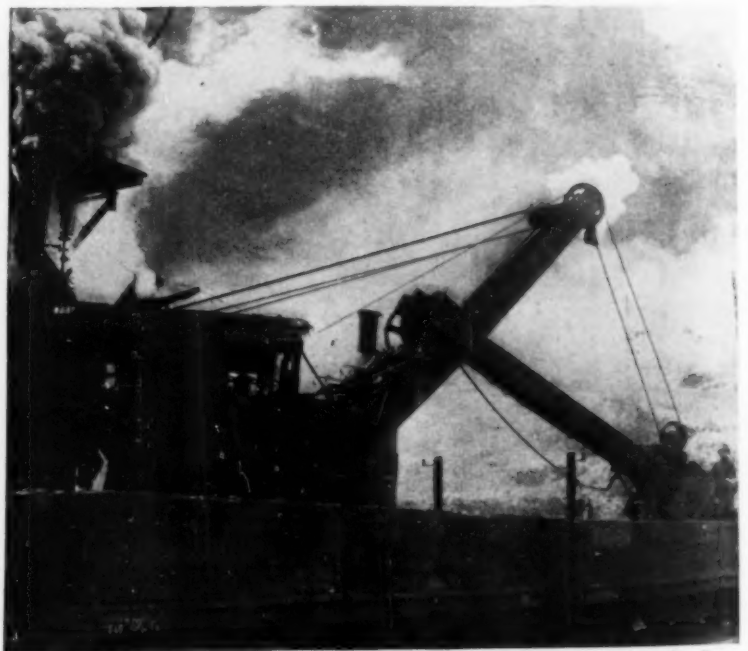
entire Lancashire industry if Japan is to be ousted in the China market. But no actual steps to create an incorporated Lancashire are proposed.

The Joint Committee of Cotton Trade Organizations is not, however, sitting back and moping. At a meeting in Manchester, resolutions were passed outlining new measures for the reorganization of the industry. The first step, it holds, is to effect an adjustment of production capacity keyed to demand. To bring this about, the committee urges the appointment of a "czar" with statutory powers to secure information upon which a scheme can be based.

At present the total of spindles in the cotton industry is not known within reasonable margin of error. There is no adequate classification of plant and machinery of the different kinds of products. There is no firm knowledge of the total indebtedness of the mills to their banks.

The Program

The committee urges investigation under the following subjects: (1) closer and more effective cooperation between different sections of the industry; (2) further amalgamations of individual firms in some sections; (3) better contact between firms in each section; (4) better methods of wage calculation and negotiations; (5) more



LOADING SOVIET MANGANESE ORE—Before the war, 31.79% of the world's manganese came from the Chiatoury district, 126 miles from the Black Sea port of Batoum. Since 1923 the industry has been gradually revived almost to pre-war levels. Carnegie steel interests have a 5-year contract for the purchase of Soviet manganese

modern methods of distribution; (6) simplification and standardization of trade practices; (7) application of the results of research to actual production; (8) the spreading of "selling" propaganda at home and abroad; (9) collection of more regular and accurate information concerning the industry.

The committee flatly admits that the time has come to concentrate production in the most efficiently equipped mills and not to try to maintain employment for all the operatives nominally dependent on the industry.

Lead Curtailed

World lead producers have reached an agreement to curtail production. Meeting in London, representatives from Australia, Canada, Mexico, Spain, Germany, and Belgium signed the pact. The exclusion of the United States and Burma is due to a difference of conditions. The United States with its high tariffs, and a ruling price regularly above the world price, and Burma, with exceptionally low wages and costs working chiefly through the Burma Corporation and the Australian North Broken Hill, would each have been irrelevant to general agreement. As Burma is excluded, Australia will restrict her output on a larger ration than the other participants.

The agreed cut is to be 15% of the 1930 output, estimated to bring production well within present reduced limits of consumption and to effect a withdrawal from stocks (other than in the United States) of some 2,000 tons a month. The rough estimate of curtailment is 220,000 tons.

France More Confident Despite Market Setback

Outlook not hopeful... Textile workers accept wage reduction. Competitive export ability helped... Money plentiful, but hoarded... National cost-of-living deflation program lacking... Government refuses to cut military expenditures.

PARIS (Cable)—Another week has passed with no material change in the business outlook. Trade and industry both are inactive. The suspension last week of the depression acceleration has carried over, but there is still no real sign of improvement. Unemployment returns show no material increase. Weekly railway receipts are running 8% to 10%, and carloadings 3% to 4%, below 1930.

Money is plentiful, but people hesitate to put it in new ventures. March

security issues were very much below February issues.

More Wage Cuts

The deflation cycle is developing, with particular reference to wages. Following recent reductions in the coal mines, the textile manufacturers of northern France have cut wages among the million or more workers. Labor is discontented but considers reduced wages preferable to unemployment, total or partial.

A peculiar condition has developed in France. While wage reductions are spreading rapidly, and are being accepted with comparative calm, the price of food is still going up. Whereas foodstuffs in Germany have registered a fall of 20% in price since the boom period of 1929, in France they increased 10% between 1927 and 1929, and another 10% in 1930. And wage reductions, which, in other countries, followed price reductions are, on the contrary, being generalized in France despite price inflation. Domestic wheat prices are at present about 3 times higher than world prices and this fact in itself shows how unbalanced national economy is.

Foreign Trade Improves

These wage cuts and resulting curtailed buying power will not improve business at home, but they should better France's competitive position in export markets. Though still well below March 1930, March foreign trade, due to seasonal activity, already shows signs of revival. Imports for the first quarter were off only 16%, but exports dropped to 72% of the volume last year. It is interesting that rawstuff imports were down 25%, manufactured exports 27% for the quarter.

Politics are behind recent business moves. In Nice, calculating, practical President Doumergue made a speech recently which resounded pretty solidly throughout France—and Europe. "So long as the League of Nations does not control an international army to enforce its decisions, France must be ready for her own defense." And "There can be no durable peace for France without the frontiers being fully protected."

Maintain Armaments

This means France will not reduce her military expenses, and will take a negative stand at the disarmament conferences next year. It also means that despite the depression, France will maintain an inflated budget, wherein military expenditures far exceed all the civil expenses put together, with the exception of the public debt.

The only direct telegraph service to SWEDEN via RCA

R.C.A. COMMUNICATIONS,
INC.

A Radio Corporation
of America Subsidiary

64 Broad St., N. Y.
Tel. HANover 2-1811

**Saves time
by what it
eliminates**

The Business Week is built to eliminate all but the significant news of business—it is not so much interested in how much it includes between its covers—but in how much usable and informative material it gets off its pages into the minds of its readers.

**THE
BUSINESS
WEEK**

by subscription: 1 year, \$5.00;
3 years, \$12.00

Prevailing Uneasiness Affects Germany Least

Business undertone still confident despite market setback.... Exports are up; textiles more active; automobile industry shows remarkable pick-up.... Money market uncertain. Reparations transfers drain foreign bills and end hope for $\frac{1}{2}\%$ cut in bank rate.... Russia growing factor in German trade.

BERLIN (Cable)—Despite the stock market setback, the business undertone is confident and is supported by marked improvement in textiles, by the March gain of \$17 millions in manufactured exports, by the record export surplus of \$62 millions.

French Counter Move

France's subtle new antagonism to the customs union is disquieting. It proposes that grain shortages in France, Germany, and Italy be covered by purchases from the Danube basin. This upsets Germany's aggressive plans for winning Roumania and Yugoslavia to the pact. Hungarian preference already is arranged. It also postpones until after the Geneva meeting, the conclusion of Austro-German negotiations and the working details of the customs union.

Despite a March export surplus, mid-April reparations transfers reduced the Reichsbank's foreign bill holdings, and has frustrated, temporarily at least, hopes for an early $\frac{1}{2}\%$ cut in the bank rate. Although there are rumors that a governmental internal loan will be issued in the near future, they cannot be confirmed.

Lloyd-Hapag Order

Two particularly stimulating factors which have influenced business thinking in Berlin and industrial centers are the Lloyd-Hapag order for 4 new motor ships, and the remarkable pickup in the automobile industry in the last few weeks. Negotiations between Europe's principal rayon producers, just started in Berlin, are likely to result in a voluntary import contingent allowing Italian and Dutch producers a 20% quota on the German market. If completed, this will mark a trend toward control of the production and marketing within this industry.

Germany's plans for cooperation in the Chadbourne sugar curtailment scheme are not affecting the country evenly. Though this was premeditated by the government, it has caused some surprise among the industry.

Under the decree recently issued by

the Food Minister, Germany's "normal" annual contingent has been fixed at 4,100,000 tons. This represents the average annual production of the years 1924 to 1929. Actually the new contingent is 17% below 1930's record production of 4,970,000 tons.

Sugar Quotas

The new contingent system seriously affects the geographical distribution of sugar production. During recent years, beet planting and sugar production have showed a remarkable increase in Western and Southern Germany. Naturally, a contingent based on the average production of the years 1924 to 1929 has hit these "younger" districts more severely than the old ones.

Final details of the recent Soviet contract (BW—Apr 22 '31) have been revealed: (1) the Soviets are obliged to place their orders before Sept. 1; (2) they agree to pay interest on the outstanding credit at 2% above the Reichsbank rate from the date of order; (3) the Soviet trade delegation in Berlin endorses the acceptances of the Soviet's purchasing trust; (4) any disputes over the orders will be settled in the Berlin courts.

Soviet Orders

Prices and financing are left open as a matter for individual agreements. The distribution of orders to German manufacturers also is left entirely to the discretion of the Soviets, a concession which many Germans think will lead to serious competitive bidding among the German industrialists who are after the business.

Independent of this agreement, the Soviets are sounding out the possibilities of purchasing from Germany 300,000 tons of ships, mostly bottoms suitable for lumber or oil transport. They insist that the ships be no older than 5 years.

Japanese Business Reacts To World Depression

Business reacts to world depression.... Stocks and commodities down.... Heavy cotton imports; low raw silk exports. Unfavorable balance of trade in last 10 days exceeds \$9 millions.

REACTION at home and the unfavorable conditions in the United States caused Japanese business to react again moderately this week. Representative stocks generally declined, and commodities were off. The decline in the price of silk will react further on Japan's already unfavorable balance of trade.

Foreign trade for the second 10 days

in April showed a marked import increase due to heavy cotton shipments from the United States, and a sharp export decline because of dullness in silk trading due, in part, to the fact new silk will be on the market soon.

Chinese buying is fairly active due to expanding demand for Chinese products and to the improved position of silver. Commodities, adjusted to the new low prices, are beginning to move.

Latin America Puzzled By Nicaraguan Shift

Sudden shift in United States policy (unexplained in Washington) takes business by surprise.... Peru stabilizes the sol at 28c. on Kemmerer recommendation.... Cuba acts to carry out Chadbourne plan.

WASHINGTON's sudden reversal of policy in Nicaragua, while it is the cynosure of all interest both business and political, has not been explained satisfactorily either from a business or political point of view. While the chauvinist press in South American republics has heaped praise on the new policy, there is a lack of reaction from more conservative elements, probably awaiting some plausible interpretation of the sudden change. Business thinking is suspended. That part of South America which has sent up a cry of imperialism at each new move of the United States will be won to closer friendship. A less jingoistic element already is questioning the wisdom of such sudden withdrawal of a "strong hand" which, whatever its faults, has in many cases been the sole means of maintaining stability.

To go so far as to withdraw protection of properties in the interior of Latin countries, in which many millions of American money are invested, after decades of complete national protection is to throw onto American business pioneers in Central America a property risk not contemplated when they set out from the United States.

Whether or not a sudden decision to abandon the Nicaraguan canal route is behind this latest decision of the Secretary of State is not known. What is important to business now is the announcement that American interests "should realize they are taking a risk when they invest in foreign countries that are troubled with extensive disorder." And what is hoped is that Washington will explain its move and indicate the effect it will have on future Caribbean policy.



Another such Victory and Pyrrhus is destroyed . .

*King Pyrrhus at the successful,
but costly battle of Asculum*

Many a business these days is paying the costs of a "Pyrrhic victory"—losses that have come from a scramble for volume at any cost. The far-sighted leaders are drawing in their battle lines; concentrating on markets known to be profitable.

Some businesses can afford to reach every possible purchaser, in every walk of life. But, for those whose goods or services find their customers among the nation's industrial and business concerns—the story is different. And here it is, that within the past year or so you have seen such costly victories.

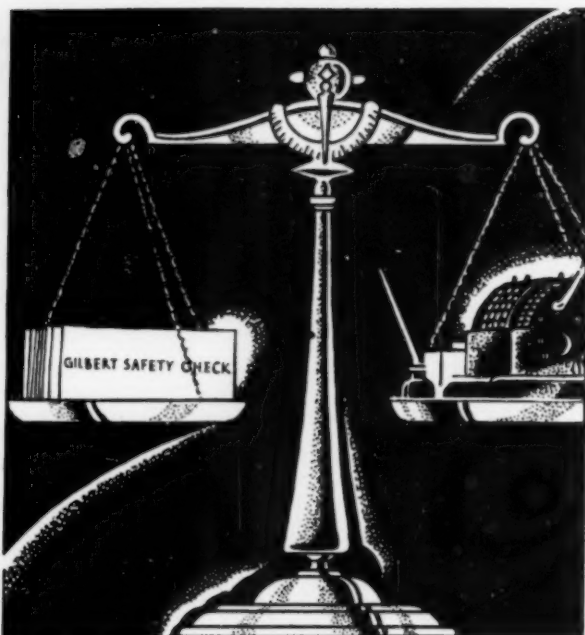
Why "costly"? Because out of some 2,260,000 concerns in the United States, a mere eighty-six thousand do over 85% of the country's total business. That means that the profitable mar-

ket is concentrated in less than 4% of all those businesses—and that the scattered uneconomic sales campaigns waged against the others are usually profitless.

Where will you reach the important heads of these few important businesses? Right among your fellow leaders of business—right here among the readers of *The Business Week*! Fifty-two times a year, this powerful group meets in the pages of this magazine . . . interested, just as you are, in keeping abreast of its fast, accurate business news. And interested, too, in the sales stories of their fellow readers.

In no other single publication will your advertising come before so many of these real business leaders. The cost is surprisingly moderate.





What an enormous amount of time and expense is spent in the advancement of methods and systems to guard against criminal manipulation of checks. The close scrutiny of signatures for forgery, . . . issuance of checks with the latest type check protectors, . . . careful investigation of endorsements, signatures, etc.

All of this conscientious effort to outwit the crook comes to nought if the check paper is not equally an obstacle to criminality.

Gilbert Safety Bond is a worthy component of this protective defense. It is a high grade rag content bond paper, manufactured in white and six pastel colors. Its chemical nature helps defeat the most careful and scientific attempt at erasure or chemical eradication.

Let us mail you a sample book of this "Safest of Safety Papers."

GILBERT PAPER COMPANY • Menasha, Wis.

GILBERT Safety Bond



Wide Reading

BECOMING A DIRECTOR—A BUSINESS HONOR OR A FINANCIAL BOOMERANG? Marvin Bower. *Harvard Business Review*, Spring. Some of the risks of directorship—and some of its demands. Thoughts behind important moves now developing in Wall Street, and other centers of Big Business.

THE AMERICAN LEGION IN POLITICS. Marcus Duffield. *Forum*, May. Thoughts provoked by 2 predictions attributed to Washington: the Legion, 10 years hence, will dominate politically the legislative and probably the executive branches of our government and, due to this political power, the government will be appropriating \$3 billions a year to ex-soldiers.

THE ENEMIES OF THE CHAINS. John T. Flynn. *New Republic*, Apr. 22. 12 broadcasting stations are fighting "the monster." At least 24 newspapers have been started to battle the chains. State laws against the chains.

MAN AGAINST THE SKY. Allene Talney. *New Yorker*, Apr. 11. Raymond Hood—architect, designer of Chicago's Tribune Tower, of New York's Daily News Building. Typically engaging *New Yorker* profile.

WHAT IS THE ROCKEFELLER RADIO CITY? L. Andrew Reinhard. *Architectural Record*, April. New York's giant project from the architectural point of view.

MAIL ORDER SALES IN ARGENTINA THROUGH USE OF PARCEL POST. Philip W. Stone. *Export Adviser*, April. Mail order houses can use C. O. D. service to Argentine provincial capitals by paying only 1% of collection total. Insurance up to \$22 possible.

THE LIBERIAN PARADOX. Raymond L. Buell. *Virginia Quarterly Review*, April. American business imperialism; the Firestone concession in relation to labor; economic development and loans; responsibility of our State Department for the muddled condition of Liberian finance.

NOBODY'S BUSINESS. George J. Anderson. *Atlantic*, May. President of a coal company analyzes present conditions in industry, advocates a planning commission.

AFTER TARIFFS, EMBARGOES. Herbert Feis. *Foreign Affairs*, April. The current trend is the reverse of the international financial expansion of the last 12 years—will, if continued, cut international trade, diminish prosperity through complete utilization of accumulated capital.

BOOKS

BUSINESS ADRIFT. Wallace C. Donham. McGraw-Hill, 165 pp., \$2.50. Business must have a general national economic plan based on the imperative need of providing security and leisure.

JOURNALISTIC VOCATIONS. Charles E. Rogers. Appleton, 354 pp., \$2.50. Comprehensive survey of all branches of the journalistic and related professions. Facts concerning requirements, types, methods.

PERSONNEL PROBLEMS—METHODS OF ANALYSIS AND CONTROL. Felix E. Baridon and Earl H. Loomis. McGraw-Hill, 452 pp., \$5. Practical working manual for personnel workers.

The Figures of the Week And What They Mean

The mild spring revival appears to be settling into another summer lull. Business activity, commodity and stock prices continue to feel for bottom. . . . Steel production reports further seasonal decline. Building contracts for April lag behind March. . . . But carloadings have resumed the usual upward trend of the season. March import trade showed signs of improvement. . . . *The Business Week* adjusted index of general business activity declined to 77.7% of normal against 78.1% (revised) the preceding week and 93.9% a year ago. After a feeble strengthening in March, the general index has moved toward the December low.

To give a broader picture of the more important business indicators, a column of five-year weekly averages is added to the usual table on this page. More pertinent figures have been substituted for a number of less significant items. The five-year averages will afford a fairer yardstick for evaluating the latest figures than that afforded by only the preceding good or bad year.

Steel Activity

Activity in the steel industry has been waning for the past four weeks. After reaching a peak of only 57% of capacity, ingot production has gradually slackened in the usual seasonal manner to approximately 49% of capacity, according to Dow, Jones. Our adjusted index remains at 66% of normal for the third consecutive week.

The present decline reflects the continued caution of consumers. Falling prices, especially of automobile steel, talk of possible wage cuts that may be reflected in still lower prices, a highly competitive market, and lack of encouraging news in the general business world, all conspire to entrench hesitation on the part of buyers. But the trade papers continue to point out that since expansion of activity was slight in the first quarter, it seems improbable that the recession can be drastic, particularly in view of prospective demand from the construction field that is bound to come forward shortly.

Motor Demand

Motor demand for May is expected to continue on the April level, though manufacturers are not venturing estimates. The rumored curtailment of

Ford activity is strongly denied, while Chevrolet is reported to be resuming full time operation. Building contracts for the first half of April were some-

what smaller than anticipated, but to date fabricated structural demand has been fair. Pipe line, tin plate, and farm implement demands show signs of seasonal improvement.

Although contracts for public works and utilities during the first 13 business days of April formed 44% of the total awards in the 37 states, according to F. W. Dodge Corp., the decline from

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....	Latest Week *77.7	Preceding Week †78.1	Year Ago (1926-1930) 93.9	Five Year Average (1926-1930)
Production				
Steel Ingot Operation (% of capacity).....	49	50	78	87
Building contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis).....	\$13,164	\$13,81	\$19,153	\$22,903
Bituminous Coal (daily average, 1,000 tons).....	*1,128	1,244	1,376	1,380
Electric Power (millions K.W.H.).....	1,633	1,639	1,711	1,497
Trade				
Total Carloadings (daily average, 1,000 cars).....	123	121	152	157
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	86	85	106	107
Check Payments (outside N. Y. City, millions).....	\$4,706	\$4,271	\$5,904	\$5,635
Money in Circulation (daily average, millions).....	\$4,653	\$4,648	\$4,531	\$4,734
Prices (Average for the Week)				
Wheat, No. 2, hard winter, Kansas City, bu.).....	\$.74	\$.73	\$ 1.01	\$ 1.30
Cotton (middling, New York, lb.).....	\$ 1.02	\$ 1.03	\$ 1.61	\$ 1.81
Iron and Steel (STEEL composite, ton).....	\$31.51	\$34.59	\$34.40	\$36.42
Copper (electrolytic, f.o.b. refinery, lb.).....	\$.093	\$.097	\$.138	\$.144
All commodities (Fisher's Index, 1926-100).....	74.6	75.2	90.7	95.6
Finance				
Total Federal Reserve Credit Outstanding, (daily average, millions).....	\$946	\$958	\$1,095	\$1,229
Total Loans and Investments, Federal Reserve reporting member banks (millions).....	\$23,051	\$22,845	\$22,592	\$21,260
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$8,064	\$8,066	\$8,607	\$8,772
Security Loans, Federal Reserve reporting member banks, (millions).....	\$7,194	\$7,146	\$8,238	\$6,780
Broker's Loans, New York Federal Reserve reporting member banks (millions).....	\$1,844	\$1,849	\$4,217	\$3,839
Stock Prices (average 100 stocks, Herald-Tribune).....	\$129.14	\$132.10	\$179.71	\$150.44
Bond Prices (Dow, Jones, average 40 bonds).....	\$95.62	\$95.68	\$94.85	\$96.22
Interest Rates — Call Loans (daily average, renewal).....	1.5%	1.6%	4.0%	5.0%
Interest Rates—Prime Commercial Paper (4-6 months).....	2¼-2½%	2¼-2½%	3¼-4%	4.5%
Business Failures (Dun, number).....	563	545	491	471
* Preliminary	† Revised			

March on the daily average basis was only 3%, and only 11% from a year ago. Total awards equalled \$168,370,200 for the period, a 9% decline from March on a daily average basis, and a 30% decline from April, 1930. Non-residential awards ranked second in volume during the first half of April, and showed a 10% decline from March, but a 45% reduction compared with April, 1930. Residential contracts formed but 25% of the total awards, and declined 18% on a daily average basis from March, and 32% from April, 1930.

Building Index

Our adjusted index of building included in our index for the week of Apr. 4 stands at 70% of normal compared with 76% the preceding week. For the week of Apr. 11, the index fell sharply to 63%, since the expected seasonal gain of April over March failed to materialize. For the week of Apr. 18, the index is partly estimated and hence is not published.

Bituminous coal production is reaching the spring low comparable to that of 1924, and 18% below the five-year average for the week. Our adjusted index, which makes some allowance for the sharp declines of the first months of the year, moved to 65% of normal against 67% the preceding week.

Power Production

Electric power production continues its customary spring decline and now stands 4.6% below a year ago. The decline for the country as a whole is due to the sharp curtailment of 9.5% below 1930 in the central industrial states. Our adjusted index declined slightly to 88% of normal against 89% the preceding week. The favorable comparison of a 9% gain with the five-year average reveals the tremendous growth in elec-

tric power production that has taken place in a comparatively few years.

The gain in carloadings of more than the usual seasonal amount is one of the few encouraging news reports of the week. Every classification but coal and merchandise of less-than-carlot consignments reported increases for the week. The decline in the latter group was more than offset by the gain of over 10,000 cars in the miscellaneous freight, so that our adjusted index based on these two classifications has risen to 76% of normal against the 75% level maintained for the past three weeks. Total carloadings on a daily average basis show nearly a 22% drop compared with the five-year average, while miscellaneous and l.c.l. freight combined show but little more than a 19% decline.

Check Payments

Check payments for the week of Apr. 15 rose 15% in 9 of the large financial centers outside of New York City and declined 4% in New York. The smaller towns included in the group of 131 centers rose but 4%, but the addition of the 9 large cities brought the total volume of checks of the 140 cities 10% above the preceding week, but 20% below a year ago and 16% under the five-year average. Our adjusted index, which allows for the fortnightly fluctuations, remains unchanged at 82%.

Money in circulation continues to move against the customary trend and has risen slowly for the past three weeks. It is difficult to determine whether this increase represents a real increase in spring retail trade or merely a continuation of the unsettlement occasioned by bank failures and the soldiers' loans. Our adjusted index, revised to take account of the decline in the cost of living between February and March, stands unchanged at 113% of normal.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

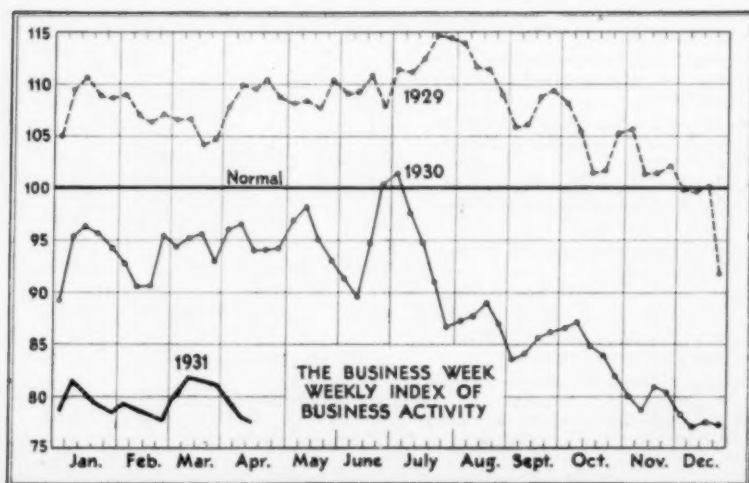
Commodity prices show few signs of strengthening. Price concessions are common in steel sheets for automotive consumption, while the posted April advance on bars remains untested because all buyers are covered at previous price scales. Price wars prevail in the cement and newsprint industries. Copper declined for the fourth time in the current depression to 94¢ a pound, but found active demand from domestic consumers. Silver and lead were steady, while zinc dropped to new low levels of many years' standing. Compared with the ten-year average, copper is down 33%, lead 34%, zinc 42%, tin 47%, and silver 53%.

Wholesale Prices

The March wholesale price index of the U. S. Bureau of Labor Statistics reveals a somewhat slighter decline between February and March than occurred between January and February.

Wheat prices tended to strengthen before the report of proposed large foreign sales of wheat abroad by the Farm Board, but have fallen again with the uncertainty of outlook in grain and security markets. Cotton followed a similar trend. Spinning activity during March was at 91% of capacity against 87% in February and 76% in December, while exports increased in both value and volume over February, and were greater in volume than a year ago.

Commercial loans declined slightly during the week, though the New York district reported a large increase. Our adjusted index stands at 109% of normal against 108% the preceding week, largely due to price change adjustments.



Trends of the Markets In Money, Stocks, Bonds

Money rates are lowered further. . . . Federal Reserve strategists attempt to stem threatened French gold inflow, relieve monetary strain in other nations. . . . Stocks decline to new lows, but may halt, at least, temporarily. . . . Bonds are further unsettled despite fundamental strengthening forces.

Cut in Bill Rate Should Benefit Business

A FURTHER easing in money this week has strengthened the assurance of lower business borrowing rates. Coincidentally, it marks a strategic attempt to aid business in other countries.

This development resulted from relieving of the French money glut by depression in that country. Funds began to flow across the Atlantic depressing francs, bringing the first gold shipments from France to New York in 4 years. But this country already has the highest gold stock in its history, a dollar in gold for every dollar circulating. The much needed redistribution of French gold would serve no good purpose if it merely added to our store of the metal.

French Gold Barrier

So the Federal Reserve bank reduced its bill-buying rate $\frac{1}{8}\%$, widening the spread between London and Berlin money rates, thus tending to send French funds and gold to those capitals.

where it would earn more. There the funds can do more to stimulate business, possibly to help our foreign trade. Franc exchange showed immediate results, but time must determine if the strategy works.

The Reserve bill rate cut was followed by an equal cut in bill rates in the open market, thus lowering the cost to businesses so financing themselves.

Discount Rate May Drop

The technical position of open market rates indicates the strong possibility of a new reduction in the Federal Reserve discount rate at New York, which frequently—though not always—is followed by cuts in other Reserve banks.

The reduction further decreases the return from short-term money invested in bills. This tends to send funds into more profitable investment such as bonds, or to loans to business, the increase in which could result from less stringent lending requirements. There is authoritative expectation that this and other developments will result in lower commercial rates and easier lending policies, especially outside of New York City.

Stock Prices Show Signs Of Halt at New Lows

STOCK prices continued to tumble downward this week under the pressure of the same depressing factors that have been operative all month, and which

optimistic and attempted optimistic statements by leaders have failed to counteract. The 90-stocks index charted on this page reached a new low for the year; only the relatively smaller losses of the more stable utility stocks kept it from dropping down to a new low for the depression.

Looking for Bottom

But, while business has offered no favorable sign, technical market developments give some indication that the end of the present move may have been reached. Business indexes continue to show a slowing up after the spring seasonal activity. Earnings for the first quarter are, in several cases, lower than expected, while, thus far, there is little or no indication that those of the second quarter will be better. The first 33 industrial companies to report for the first quarter showed profits 45% below the record for the first quarter of 1930.

Sales Volume Rises

Sales volume experienced a strong rise on Thursday, an occurrence frequently indicative of the temporary culmination of a movement in prices. Various industrial averages confirmed rail stocks in penetrating all resistance points to new low levels for the entire depression. Individual market leaders which the public watches are turning in new lows with discouraging regularity. All of which increases bear activity. And new lows are bringing some forced selling.

While the drop may be, and probably is the last kick of a long bear market, its discouraging effect on business men is serious, and a decline going very much further is likely to bring renewed financial difficulties to holders of stock and lenders on stock.



Always ready for the day's work

We all know him—the busy man who always looks and feels fresh, on whom the daily grind leaves no apparent impression.

Generally his good health and spirits are no accident. He keeps fit by observing a few simple rules of health, which any man can easily follow.

We have prepared a booklet which outlines the sound principles of healthy living. You may have your copy by mailing the coupon below.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

Inquiry Bureau, 197 Clarendon St., Boston, Mass.
Please send me your booklet, "Living the Healthy Life."

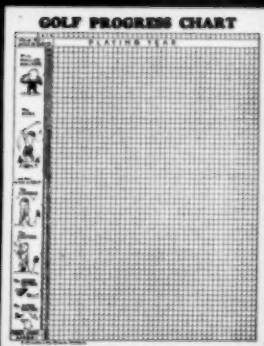
Name.....

Address.....

S. W.

Over Sixty-Eight Years in Business

Chart the Progress of Your Game with the GOLF PROGRESS CHART



Whether you actually shoot par or merely wish you could, the Golf Progress Chart will fascinate and entertain you. It's new, amusing and thoroughly practical. It's a bird for any golfer and an eagle for any business man who wants an advertising novelty that creates amazing response. More than 100,000 in actual use.

Write Today for the Facts and

A FREE SAMPLE CHART

JEROME B. GRAY & CO.
1600 Arch Street Phila.

News Outweighs Factors Favorable to Bonds

THE rather general weakness in bond prices this week reflects continued unsettling news—unsettling enough to offset 2 strongly favorable factors:

(1) The money situation continues more encouraging to the bond market than it has been for years with a further weakening in interest rates this week.

(2) New offerings declined from their already low level of last week; less than \$20 millions of new securities were brought out.

On the Other Side

On the other side of the ledger must be placed earnings, which now have declined sufficiently to cause concern even to those dealing with senior securities. Quite a few companies are now hardly covering their fixed charges. The foreign issues have been disturbed by still more unfavorable foreign news, especially from Latin America, though some weakness developed in the, heretofore, fairly stable Europeans. And the federal Treasury's inordinately heavy short-term debt, necessitating early large bond issues, is a looming uncertainty.

Buying continues in selected issues, but there is not enough of it to counteract unfavorable forces. Latest reports show commercial banks still buying government securities predominantly. Savings banks favor selected rail bonds, life insurance companies turn to rails and utilities, fire insurance to industrials.

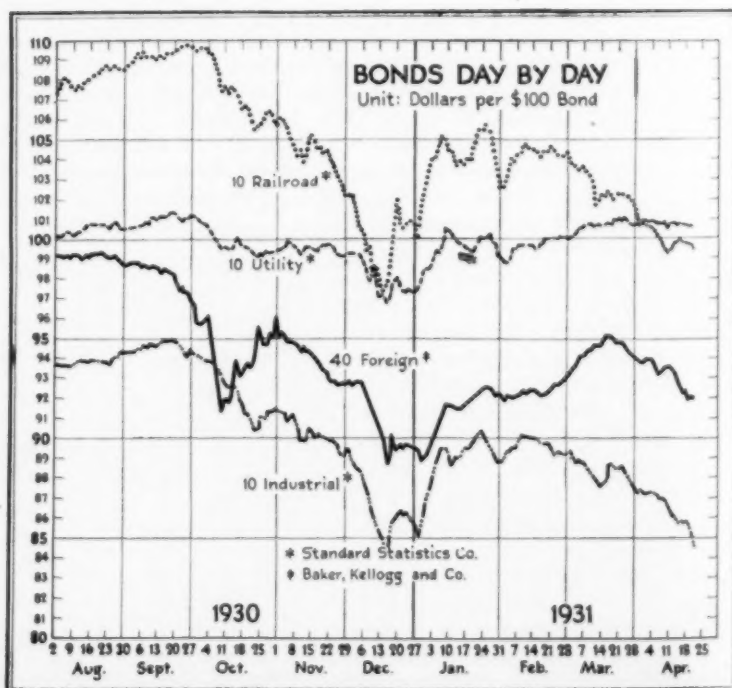
Most significant feature of the decline during the month is that prices are now at levels that make borrowing costly if not impossible for most companies.

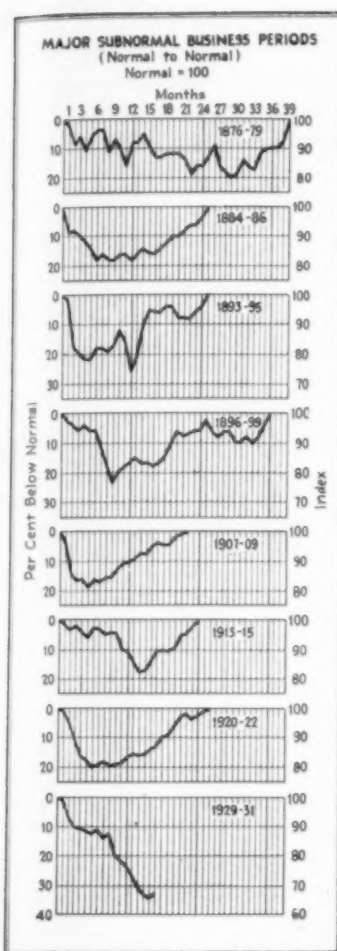
Foreign Bondholders Talk Protection, Promotion

RENEWED interest is being shown in that long-discussed self-protective organization of American holders of foreign bonds. It has 2 sources: the fears of those who have been hit, or may be hit, by defaults on such bonds; the hopes of those who are anxious to stimulate further foreign financing in this market.

Americans now hold about \$10 billions of foreign government, municipal, and corporate interest-bearing securities, to be added to the \$7½ billions directly invested abroad and the \$10 billions to \$11 billions in war debts. Of this investment, most of which has been made in the last 10 years, 48% is in Europe, 23% in Canada, 21% in Latin America, and 8% in the Far East. On Mar. 1 this year 375 issues of foreign government securities with a par value of \$19 billions were listed on the New York Stock Exchange, not all, of course, held in this country.

In times of fair to good business, foreign debtors found payment of interest on these securities not too difficult. And they found that it was easy to borrow more money in the same way. Now that business is not so good and





DEPRESSION HISTORY—The chart compares the eight largest depressions in American business since the Civil War. It is based on the index of production and trade computed by Warren M. Persons, which is the best measure of changes in general business activity available over a long period. The chart is so made that the depth and duration of the depressions may be directly compared on the basis of the period of subnormal business in each depression. Two things strike the eye: Recovery from most previous depressions has been slow, especially when they were severe; and this depression is the deepest of all. If there is anything in the law of averages or the repetitiousness of history, the unfinished curve of the present slump might be expected to come up and hit normal by June, 1932, if it required the average period of recovery in past depressions, or by March, 1933, if recovery were to proceed at the average rate in past periods. But averages like that mean nothing

debts have been tremendously increased by the decline in profits, it's a different story. But it isn't a bad story so far. There have been only a few defaults—South American—and these only on interest. However, there have been rumors. Investors are anxious about other Latin American issues, especially those of Brazil. They have been shaken by the recent Australian default.

An American council of foreign bondholders, modelled on the British, French, and other European groups brought together for the same purpose, would provide the organized pressure on foreign bond issues that is now lacking despite the size of our holdings of their securities. It would set up a centralized

information service which might prove reassuring by bringing out the surprisingly small total of defaults so far. For example, its reports would show that the record of foreign governments is much better than that of American railroads.

Business in general, remembering that "trade follows the dollar," watches the move with interest, figuring that anything helping to jimmy open the tightly locked American capital market to foreigners is likely to have some beneficial effect on export trade. It notes also that such an organization might draw new attention to a fundamental difficulty of the depression—the weight of tremendously increased debts.

Mississippi's Plight Symptom Of Widespread Tax Troubles

THE politico-financial difficulties of Mississippi which occupied considerable newspaper space this week are a symptom of a serious, though not generally recognized, situation of grave significance to business.

Mississippi's case contains elements common to a number of states and municipalities. First, revenues have declined, due to the depression. Second, though not so unanimously, appropriations by recent legislatures have exceeded income, resulting in operating deficits, which are increasing. Third, current conditions increase the difficulties met in paying on heavy indebtedness contracted in the past. Fourth, irate citizens are yelling for tax relief.

Mississippi has about \$700,000 of interest and short-term securities to pay May 1, and hasn't the money with which to pay. The May payments could be made by borrowing if the legislature authorized that procedure. But Governor T. G. Bilbo refuses to call a special session unless the members agree to start no impeachment proceedings or investigations, to which demand the legislators reply that they'll do their duty as they see fit. The necessary funds may be raised in some other manner, however.

A Common Problem

Declining revenues have been common to nearly all states and municipalities as well as the federal government. Many state and local taxes being property taxes, the situation is becoming more serious in that it results in foreclosures. Michigan is reported to own

one quarter of its area now. In some sections of Oregon delinquencies are as high as 40%, and some farmers refuse to pay property taxes, alleging discrimination. Many New Hampshire towns are having difficulty collecting taxes. The number of property sales to satisfy taxes is growing in New York. Unimproved property is frequently not paying taxes in Minnesota. Tax delinquency in Virginia rose 2% to 3% in 1930. Maryland collections are off 10%. Several Washington counties are selling considerable property. Thus reports coming out of a recent survey by *The Business Week*.

Local Business Hit

These difficulties in tax collections have a serious effect on community business. Further, the low receipts are causing many difficulties to administrations. Like the federal government, the smaller units find it almost impossible to cut down expenditures.

Further taxation increases are indicated, possibly even in addition to the general increases enacted at the legislative sessions this year. And, this time, reduction of federal taxes as an offset seems unlikely. Numerous attempts to shift the tax burden may be expected. Though no figures are compiled, dealers and investors in municipal securities state that the volume in default is now the largest in history, and the total is growing. This seriously affects the credit of the areas involved, will make funds, if at all available, much more costly in the future, will tend definitely to check public improvements.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

April 29, 1931

Echo Answers—

WHAT are we waiting for? May, June, Summer, Fall, Winter, next Spring? Falling leaves of the calendar, the passage of time, ticking of the clock? The normal course of events, "natural" readjustment, economic law to work itself out? Return of thrift, sobriety, hard work, the old virtues? "Confidence," conferences, research, more "facts"? Another war, earthquake, or administration? The other fellow? A man on horseback? The stork? The *laissez-fairies*? Something to turn up?

Why must we wait? Necessary deflation of credit, inevitable liquidation of debt? Who said so? To what end? Where does the liquidated debt-money go? Who has it? What is being done with it? What can be done with it? Won't it be loaned all over again? To whom? What's the difference between them, say in 1928 or 1935, and us, now? Will it pay more to the lender or be cheaper to the borrower later?

Isn't there enough gold now to make more credit on? Doesn't anybody want to build a better house, buy a new and better machine, hire some more men? Has everybody too much of everything? Isn't anybody going to need a pair of pants, a Parker House roll, a balloon tire, a backgammon board, or a locomotive any more? What is money or credit for? Can it no longer be used to make and to buy things with? Is it going to be used for wall paper?

When will what we are waiting for happen? When the Cycle is completed? When wages are readjusted to prices? What for? Why isn't it just as good to readjust prices to wages? Can't people use money any more? Will they produce less if they earn more? Will they buy more if they earn less? Doesn't industry want to sell more goods? Can't it make them more cheaply unless it lowers wages? Will it sell them much more cheaply if it does? Who spends the most money for things, those who

have it or those who earn it? Who wants lower prices? Does anyone care what things cost if he has money to buy them with?

Will it happen when prices fall further or will it happen when they rise? What makes them rise? Producing less, working less, earning less, spending less, selling less? Why have they all fallen? Have we produced more of everything than we want or can use? Have we been unable to buy as much of anything as we have produced? Weren't we able to do so several years ago? Where did the money come from then? Where has it gone now?

What can we do in the meantime? Apply the American principle of self-help and private effort? What shall we help ourselves to? Work hard? At what? Save? For what? Won't we spend the money we save sometime again? Will it surely stop raining? Has it always stopped? Meanwhile what shall we do for umbrellas? Can't we borrow some from the banks? Will they lend us any till the sun shines? Won't they ask them back when it rains again?

Is Russia, with all the evils of her political system, waiting for something to turn up, too? Why not? Aren't our immutable economic laws translated into Russian? Are our "impersonal economic forces" stopped and searched at the border? Have they more umbrellas, more brains, more materials, more men, more machines, better management, more gold than everybody else? What do they use for money? Where do they get it? Do they borrow it from anybody but themselves? Do they lend it to somebody else or to themselves? How can they do that? Don't they know it is impossible and unsound? Don't they ever read any bank bulletins? Why, not?

Published weekly by the McGraw-Hill Publishing Company, Inc.
Tenth Avenue and 36th Street, New York. Tel. Medallion 3-0700.
Price 15 cents. Subscription rate, \$5.00 a year; foreign, \$6.00
Publishing Director, Jay E. Mason

Managing Editor, Marc A. Rose	News Editor, Ralph B. Smith
Economist, Virgil Jordan	Art Director, Perry Githens
Marketing, O. Fred Rost	Finance, D. B. Woodward
Aviation, E. P. Warner	Industrial Production, K. W. Stillman
Transportation and Utilities, J. F. Chapman	Cameron A. Robertson
Wadsworth Garfield	F. A. Huxley
R. I. Carlson	Washington, Paul Wooton
Chicago, John Millar	European News Director, Elbert Baldwin
7 Boulevard Haussmann, Paris	Cable Address: Busweek, Paris



Gravity rollers, power belts and power pallets form this Mathews Conveyor System used by a prominent refrigerator manufacturer

Your next exploration ...one of handling costs

Your plant, like thousands of others, undoubtedly has its handling cost mystery, with the general practice of entering these costs under the "manufacturing overhead" burying them so deep that your best efforts as a sleuth would prove futile. Turn your attention, then, from the past to the present. Begin today an exploration

that will give you a true insight of what price is being paid for transportation within your plant. Study current costs, and, if they prove abnormal, consider a Mathews Conveyor System as a means of reducing them, as well as for providing greater speed in production. Engineered to fit your particular handling work and constructed to withstand whatever conditions may exist in your plant, a Mathews Conveyor System assures the savings of handling dollars over a period of many, many years. Write for the interesting Mathews catalog.

Bearings . . . The Heart of Roller Conveyor—Every wise buyer of roller conveyor looks first to the bearings, for here is the vital part on which successful operation depends. Pictured is a cutaway of the Mathews 56B Bearing, a section of the roller, and its axle. Designed for extremely heavy duty service, this unit has a continuous load rating of 2000 pounds per roller. Bearings, detachable, are made up of a single row of thirteen $\frac{1}{2}$ inch diameter balls, hardened inner cone and outer rings, all assembled in a



heavy pressed steel retaining jacket. One of the exclusive features is the patented Mathews Gearlock Cone and Axle. Teeth on the inside of the cone mesh with knurling on the axle, thus forming a positive lock to prevent the cone from turning on the axle. Other features, such as the keylock axle, the steel and felt washer labyrinth seal, grease gun and grease packing methods are described in the new booklet "New and Improved Features in Mathews Gravity Roller Conveyor." Write for a copy today.

MATHEWS CONVEYER SYSTEMS

Mathews Conveyor Company, 160 Tenth Street, Ellwood City, Pa. . . . Birmingham . . . Boston . . . Buffalo . . . Charlotte . . . Chicago . . . Cleveland . . . Dallas . . . Denver . . . Detroit . . . Los Angeles . . . Milwaukee . . . Minneapolis . . . New Orleans . . . New York . . . Philadelphia . . . Pittsburgh . . . St. Louis . . . San Francisco . . . Seattle . . . Mathews Conveyor Company, Limited, Port Hope, Ontario



Printing Mechanism...Caps... Supports...few things seem impossible to the strong alloys of Alcoa Aluminum

Few, indeed, are the industries and products, that the strong alloys of Alcoa Aluminum have not touched as with a magic wand, bringing more speed, more savings and more service. In transportation, in communication and in manufacturing—increases in speed, savings and serviceability have resulted as these alloys wipe out needless weight and eliminate corrosion.

Let's be specific. Street cars made from the strong alloys of Alcoa Aluminum save as much as $\frac{1}{3}$ of the dead-weight. Trucks, using Alcoa Aluminum body and frame members, save from 1,000 to 6,600 pounds in dead-weight. The operating speed of a traveling overhead crane is increased and 12 tons dead-weight is saved through the use of Alcoa Aluminum. In another instance 75 pounds of Alcoa Aluminum alloys replace

300 pounds of cast iron on a grinding machine.

The strong alloys of Alcoa Aluminum can be cast, forged, machined, welded, made into screws, bolts and rivets, and otherwise fabricated, much the same as other metals. Through our practical cooperation, operators can quickly grasp the few points of difference from other metals they have been accustomed to handle.

When you design that next gadget, consider the many specific advantages of Alcoa Aluminum and its strong alloys. Their cost is low—comparable to other metals not having such specific advantages. Our nearest office will be glad to cooperate with you on the fabrication of Alcoa Aluminum for any use you may have in mind. ALUMINUM COMPANY of AMERICA; 2405 Oliver Building PITTSBURGH, PENNSYLVANIA.

ALCOA ALUMINUM

s...

em

ng

um

machine.

can be

screws.

l, much

practical

the few

ey have

der the

um and

parable

advan-

operate

minum

INUM

uilding

1

WEEK